ECONOMIC DIGEST

CONTENTS

Britain's Three Worlds Sir Oliver Franks, K.C.B., C.B.E.	49
U.S. Home Building Record in 1949	54
Politicians Are Dodging These Questions N.Y. & District Bank Review	55
Incentive from the Psychologist's ViewpointSir Frederic Bartlett	56
But the Profit Motive Still Counts	58
	60
Measuring the Cost of Living	
Taxation Under the Microscope	62
Trend of Anti-Truman Economic Thought	67
Is the Sherman Act Effective	68
America is Not Going Socialist Professor Sumner H. Slichter	69
Shadow Over Africa	70
India, Pakistan, Ceylon Plan Big Developments. Commonwealth Economic	
Committee	73
And India has Million-Ton Export Target for Manganese. The Eastern	
Economist	74
Lower Commodity Prices are Coming	75
World Conditions and Prospects	78
Fodder Supplies in Europe	81
Dollar-Saving Plan for Europe	82
	83
Food Consumption Levels in Britain	
Investment in Underdeveloped Countries	84
Britain's Backyard Farmers	84
Should Spain Get Marshall Aid?	85
Should Spain Get Marshall Aid?	86
Book Notices	61
Worth Reading	59

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Editorial Announcement

'Significant Trends of the Day'

The decision to hold a General Election during this month has made it inexpedient to begin this feature in the present number of *The Economic Digest*. It will appear as soon as may be practicable, which will probably mean a short delay until a new Government has taken office and the broad lines of policy are known to us.

Our Service to Readers

Questions answered—Sources indicated—Facts checked

Subscribers to The Economic Digest are invited to submit any questions concerned with economic facts, or to submit their own writings or theses for factual criticisms which, for obvious reasons, cannot be elaborate.

It is possible to present in The Economic Digest only a small part of the mass of material—reviews, speeches, privately-circulated memoranda, as well as newspapers, journals and books from all over the world—scanned by the Editors and staff every month. Often, however, items which come before their notice would be of great value to specialists, although not of sufficient general interest for presentation in our pages. Since this service was begun, in January, 1949, we have in fact been able to give help to readers in every part of the world, in Government departments, and in the principal universities.

Letters of inquiry should include stamped addressed envelope for reply and should be addressed to The Editors, Reader Service, The Economic Digest, 18 South Street, London, W.1

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The ECONOMIC DIGEST

February 1950 Volume III Number Two

The pattern of political and economic developments in Asia during the next 10 years depends on Europe. But Europe cannot trade with Asia unless international trade is restored throughout the democratic world. And that cannot be achieved without the co-operation of America

Britain's Three Worlds

By SIR OLIVER FRANKS, K.C.B., C.B.E.,

British Ambassador in Washington

This is a true story. I have now been here (in America) about 18 months, so we will say 19 months ago (it must have been about that) I was seated at a dinner table something like this, and to my right was an elder statesman of Great Britain, Winston Churchill. We sat and talked, and then in that interval which occurs between the end of dinner and the beginning of speeches he leaned across to me and he pulled out of his pocket a scrubby envelope and a stumpy pencil. He proceeded to draw three circles with a common point of intersection.

He turned to me and he said, "Do you know what that stands for?"

I replied, "No, sir," truthfully.
So he said, "I will tell you." And
on another corner of the envelope he
drew what he called the point of intersection. And as he drew the
point of intersection it was quite
obviously the British Isles.

He said, "Do you now understand?" And I replied as I felt dutifully, "No, sir." So he said, "You are going out, young man, to Washington. You remember this: these three circles are the broad relationships of British policy, the broad relationships of Europe, of the Commonwealth, and of the United States. Don't ever let the United Kingdom get right outside any one of them."

This is not a point of doctrine, it is not a point of chosen and deliberate policy; it is something that comes out of our history and is breathed like the air that we breathe across the Atlantic in Britain.

Let us take these broad relationships: that within the Commonwealth, the evolution of the three new countries—India, Pakistan and Ceylon. What have we been doing with them? One of the things that you have all heard about is, we have been talking with them from time to time about the release of sterling balances. You all know how at the end of the war we found ourselves with a great accumulation of sterling debt, an accumulation mainly owed

to other parts of the Commonwealth, and how a part of that large sum was owing to India and to Pakistan.

We have sometimes been asked by our friends why we could not treat that as other war debts had been treated, and we have had to reply that it takes two to take that view, and that view was not quite held in that form by our friends in the Indian Ocean.

But the point I want to talk about to-night is this: from time to time we have met with the representatives of India and of Pakistan, and we have agreed with them that a part of these balances should be drawn down, that they should be available for trade, for goods to pass from Great Britain to India and Pakistan. Some have thought that too much has been drawn down; some have argued not. I do not want to argue that at this moment, but I do want to draw your attention to one of the things that has been in our mind in acting as we have acted.

The Future in Asia

These two countries, full of a new sense of nationhood, stabilizing themselves in a continent full of unrest, are faced with their own great difficulties. They have to build up an industry of which they only have a part. They have rapidly growing populations, mouths increasing by something like five million a year that they have to feed. They have got to find ways of putting more fertilizer on their fields, better seeds and better instruments to cultivate the fields with.

Underneath all that they face yet another problem, and that is this: In this middle twentieth century, for the first time in all the centuries that you can trace back of recorded history, their populations are on the move. They are on the move because they have got ideas, because Western influence has spread, because reading and writing have become common, and with reading and writing have come ideas.

One idea born in the West, born. I think you will find, in France in the eighteenth century, is the idea of the possibility of human progress. Now some 200 years old, it has carried across the oceans and is alive in Asia. No longer do all the hundreds of millions in Asia assume that their lives must go on from generation to generation unchanged and unchanging, dominated by tradition, sanctified by custom, looking forward to no future, save what a fatalistic acceptance can bring. They are on the move, and they will not stay where they are now. They have the idea of progress.

Where do we want them to go? Which is the direction in which we wish them to move? We have felt in Britain that we had no small responsibility in the evolution of which I have talked which gave . these three countries their birthright and their nationhood, to do all we could to set them up and stabilize them in their power and position. But that is not just a British problem; it is a problem that runs through Asia and through more of the world than Asia. But in Asia it is in the Middle East, in all the countries in the Indian Ocean, it is in South-East Asia. The people are on the move; they are going some-

Where are they going? We industrialized countries on the two sides of the Atlantic can help or to hinder. Where they are 10 years from now will depend in large part on the attitude we take toward that ferment of ideas alive in that great part of the world. They will want things from us. They will want our capital goods. They will want technological skill. They will want the arts of management. There will be capital development, finance and trade.

But I think that even that is not enough, for much will depend upon the manner in which the relationship between us and them is conducted, otherwise they will take what they want and go their own way. It is up to us; it is part of our responsibility, I think, as part of that Western civilization which has created the idea of progress and lived by it, to give with our industrial and mechanical civilization something of the values of our way of life.

The Western Contribution

Then we may hope that they will want to go along with us, and using the arts and the skills which we have devised, set up a form of life no doubt adapted and modified according to their own customs and traditions from that which we enjoy, but one which will go along with ours, and one which will enlarge the democratic world.

There I see a pattern of economic development, a pattern for which any one of us living in a highly industrialized country has something to think about, has a responsibility to discharge and a responsibility which, while it includes, goes beyond the appurtenances of a mechanical industrial civilization.

Another broad relationship of British policy is with Europe. There are things going on there. What can we see there—not just Britain's part, but in Western Europe—that gives a pattern of development? The word that people use at the moment is "integration." I like that word; it brings me back to the early days when I learned Latin, because it means the renewal, the restoration of wholeness. And then when you look at the dictionary it goes on from that to talk about combining parts into

a whole, and it has all got a sense of soundness and of health behind it. It is a good word.

But as a word, it is a clue, a hint and not an answer. When we talk about integration in Western Europe, what have we in mind? What is that pattern of economic development? Had I been born as you are, citizens of America, I should make a jump. I should think of integration in political terms. I should think of it almost certainly in terms of a Federal Union.

I haven't that advantage. I am born British. But I think of it therefore, equally naturally, in political terms too, but I think of it in terms of another kind of association, the loose, flexible yet efficient association of the countries within our Commonwealth.

But you know, I am not sure that either of these political ideas is necessarily the right one for Europe. Your history of expansion—a horizontal expansion over a continent—and our history of expansion—a horizontal expansion over the oceans—are something different to what there is in Western Europe. There, there is what I call a vertical differentiation, a differentiation in time through the centuries.

Problems of Europe

There the countries, including us, have highly developed individualities related to each other, yet distinct. They are what they are and have been for centuries, and I am not sure—I am no dogmatist on this—that those forms of political unity and integration which have been apt to horizontal expansion are equally apt to a vertical differentiation of the kind we have in Western Europe.

I do not mean by that that I think there is no political unity to look for and to work for, but I do mean that I believe Paul Hoffman is completely right when he believes that the first thing to do is to go for an economic integration and let the political things build themselves and mould themselves out of that ex-

perience.

If I am right in supposing that we do not know for certain what the political answers are or could be, then we have got to go at it gradually, building bit by bit until something emerges probably out of the deliberations and the discussions and all the arguments that will go on in the Council of Europe as the Ministers of our different countries meet there to try to discover the unities which lie behind their purposes and policies.

What is Integration?

On the economic front, what is it we want when we talk of integration? To me it means a progressive freeing of trade, of the movement of goods, of people, of the movement of persons, of funds, of the movement and interchange of currencies. Those are simple ideas; they are so simple that Western Europe forgot a lot about them in the two decades before the war. But they are, I think, things to remember and things to work at and to promote. And if I understand the fundamental line underlying the message which Paul Hoffman gave in Paris a fortnight ago, it was not very different from what I have just been saying.

That is my picture of the economic pattern of development. It is one which we in Britain will go along with. It is nonsense to talk of our turning our back on Europe. We cannot, even if we wanted to, which

we don't.

Since the war there has been a revolution in our policy. In peacetime before the Atlantic Pact was mentioned or thought of, we concluded an alliance with our friends

across the Channel and placed our frontier on the Rhine. We did that because we have learned by experience. We know that in strategical matters we stand together. And if that is true, strategy and politics have to be underpinned by economics. We need in Britain healthy economies related to ours across the Channel. That is our own direct

self-interest in the matter.

I would like to add one personal footnote. In the summer of '48 I happened to spend about eight weeks at the Paris Conference which drew up a report later submitted to your Administration, and which was one of the working documents when the Recovery Programme European went before your Congress. I learned a lot in those eight weeks, and one of the things I learned was this: that when we had got to know each other after the first week or two, I had hardly any more difficulty in being understood by my friends of the 16 countries than I have in Whitehall or in Washington. There is the same ultimate Western background of values, ideas and thought. Unity is there. It waits to be elicited and it can be elicited as it was at the time of that specific operation.

I saw something then which I do not forget. There is a unity in Europe which can be achieved if we go at it steadily, gently and forcefully, by whatever means come to hand as possible from time to time. That may sound adventurous, but it is not cynical. I believe it is constructive. And anyhow, I happen to believe it to be true. That I call the second pattern of economic develop-

ment.

And there is a third. When we came over and talked with you and the Canadians in September, after the first meeting in London in July, we were talking about a third topic. We were talking first about the crisis in the British reserves, that thermometer in the Bank of England which registers the movement of dollars in all the countries of the sterling area and which at that time by accumulation registered the change in all the sterling area consequent upon the move from the seller's market to the buyer's market in the world.

What we were looking at was the relation between the trading area of the past—that area of multilateral trade involving about a quarter of the people on the globe—and the other great area, that of the dollar, the North American continent and the countries that go with it. And we were asking what had to be done if these two trading areas were to be meshed, if they were not to grow apart subsisting on a low level of exchanges between the two of them? The results you know.

We stated in the communique we issued we needed further consultation. We listed the topics. But we had taken a resolve, and the resolve was this, that it was in the interests of no one that these two great trading areas should grow apart, that it was in the interests of all that they should grow together, that the process would involve adjustments, that the adjustments would be difficult. that they would involve adjustments on both sides of the Atlantic as we would have to change much of the direction of our trade in Britain, as we have to learn new tricks as to how to try to sell in your market, manufacture things that you would want at a cost which you would pay, and so on, so you might be willing to enter into what I might call a state of enhanced receptivity as compared with some decades in the past.

Again there is an element emerging, an element of pattern, a pattern of economic development, a pattern making for unity in the international trade of the democratic world, for in this the pound sterling was symptomatic and illustrative of all the other countries not convertible with the dollar at present. And there again we have a line along which to move if the adjustment to the new normal of the postwar is to be fruitful and effective.

In these three things we have been playing our part in Britain. But they are things which only the whole democratic world can deal with and solve, and they are interconnected. The relationship, the constructive relationship between the industrialized countries on both sides of the Atlantic and the non-industrialized or little industrialized countries of Asia, the development of the free movement of the trade, men and funds in Europe, the development of one system of international trade up and down the democratic world these are interconnected and interdependent.

World-wide Trading

It is no good reconstructing Western Europe if Western Europe cannot trade with the world. As Britain is an extreme case, so the 270 million people in Western Europe have got to draw in their food and raw materials from the rest of the world and trade with them. They have got to be able to enter into that relationship with the underdeveloped countries I have been describing, as you will wish to do. They have got also to have a system of international trade which promotes rather than hinders that exchange of goods on which they depend for their standard of living.

Turn it "round the other way": will the not yet developed countries, the not yet industrialized countries that are on the move, where ideas are fermenting, get what they want if Europe is not recovered, if the

economies of Europe are not linked and integrated, and if there is no system of international trade permitting the freer movement of goods up and down the world?

And how will it all fare if the division between the dollar world and the sterling world is not over-

come?

These are patterns of economic development that in this transitional period seem to me to be emerging. They have been there, of course, for a long while. Nothing that I have said is new. It is not novel. But I think it is important that in this transitional year we take a look at what the patterns that emerge are so that by fitting them together, by directing our thought to what can be done constructively along each of them, we may find that the total adjustment that we make within the democratic world is constructive and lasting and stable.

In all this I have said nothing—or almost nothing—about the part and the role of the United States. I have not spoken of the great initiatives your government and people have taken, of what you are doing, or of what you will do. And I am afraid I have refrained deliberately. I think those are things in some ways best talked about to an American

audience by an American.

I want only to say two things. The first is that in talking about Britain,

in talking about the things we have done and are trying to do, I wish to acknowledge that what we have done and what we are trying to do has been on the foundation that your help to us since the war has given and made possible.

I acknowledge that as a representative of my country, with great

gratitude.

And secondly, I would like to say one other thing. I have occasion not infrequently in Washington and in other places, to be present at and to take part in negotiations and series of talks which deal with some of the topics that I have been naming. I talk for the most part with my American colleagues who come from many different walks of life. When we start we sometimes find ourselves agreeing, and sometimes we don't. It is not very often the case that in the end we don't reach agreement. But I have not yet come out from one of those major friendly encounters without a very clear feeling in my own mind that those with whom I have been talking as representing your people, carry a very high sense of the responsibility and destiny which accompanies the great power of the American people, and that with them that power is an opportunity to be used as the greatest single constructive force the world knows to-day-for good.

U.S. Home-Building Record in 1949

A total of 1,019,000 new non-farm dwelling units started in the United States in 1949 set an all-time record, almost 9 per cent. above the previous high mark of 937,000 units established in 1925. Privately financed units started last year, accounting for 96 per cent. of the total, showed a rise of about 8 per cent. over 1948. Public housing, financed largely by state and local agencies, almost doubled between 1948 and 1949, rising from 17,800 to 35,300 units, the Department stated. The average per unit construction cost of privately financed one-family houses starting during the third and peak quarters of last year was \$7,625 or \$400 lower than in the same period of 1948.

Politicians Are Dodging These Questions . . .

HERE are the basic questions that confront men in Washington and London. Does Britain really want expanding world trade or a high-cost welfare state? Does the United States really want expanding world trade or a huge surplus of exports? So far politicians in Washington and especially in London have ducked these issues because they are political dynamite.

If the people of Britain decide they want to regain their position as a competitive trader in expanding world markets, here are specific objectives that men in London should

set for themselves:

1. Lower Government Costs. The British Treasury has asked for cuts of 5 per cent. in 1950. But a cut nearer 15 per cent. will be necessary, even if that means fewer Government subsidies and health services. Enterprise will never revive nor costs come down while taxes take 40 per cent. of the British national income, including roughly 60 per cent. of business profits.

2. Fewer Government Controls. Only by removing controls and allocations (except on a few necessities) can Britain begin to return to prices fixed by competition rather than by

Government fiat.

3. Stronger Anti-monopoly Legislation for both Business and Labour. Britain needs a concerted drive against all forms of restrictive, high-cost practices. This drive should put teeth in the anti-monopoly act and supplement it with legislation to end restrictions imposed by trade unions.

4. Less Restrictive Trading Practices. Britain should retreat gradually from its international barter between governments if competition is ever to have free play in international trade.

Meanwhile, if we of the United States sincerely want multilateral world trade, men in Washington must face up to four problems and hammer out workable solutions:

1. Use of the International Monetary Fund to back a devalued pound. In time the fund, in which we have the controlling voice, might be used to promote convertibility of pounds

into dollars.

2. Help for Britain in meeting warcreated external debts. This might mean support for London in getting a reduction of the war debts Britain owes India, Pakistan and Egypt, for example. To achieve such a debt reduction for Britain we might have to underwrite a part of the southeast Asia recovery programme.

3. Encouragement of American investments abroad. Such investments should be directed primarily into enterprises which will earn dollars, such as the development of new sources of raw materials, or which will raise productivity abroad.

4. Our own tariff barriers. Our attitude toward this critical issue will be the acid test of how deeply we believe in the merits of free world

competition.

If we really want free, competitive trading between the people of the world, these issues must be met and resolved by leaders on both sides of the Atlantic. If we do not want to face these issues, then let us resign ourselves to a world walled off into three trading areas: the Communist bloc, the sterling area, and the dollar area.

There are other incentives in industry than those which present themselves most readily to the economist

Incentive from the Psychologist's Viewpoint

By SIR FREDERIC BARTLETT

Cambridge Professor of Experimental Psychology

A FEW years ago two American investigators set out to study what happens when people have to read printed or microfilm material for long periods. They provided the best possible reading conditions and, of course, employed willing collaborators. After about two hours of reading, odd things began to develop. Words, phrases, sometimes whole lines, were missed. Regressive eve movements, of the kind we all make when we have read something and are not quite sure whether we were right, became more frequent. The eyes sometimes set off on a kind of wandering scan, during which apparently nothing at all was being read. The regular pattern of eye movement which is characteristic of the accomplished reader was broken up.

At this stage the experimenters introduced an ingenious device which enabled the reader to discover, every so minutes, exactly how well he was getting on, and whether he was falling away from his initial standard. The reading spells were increased from two hours to six hours, but none of the earlier signs of deterioration now appeared. There was also no other sign of immediate fatigue. Fatigue is frequently delayed in its effects, and so the experimenters kept up a continued vigilant watch for longer-term results. They found

none.

This is no isolated observation. It has been repeated many times and with many other activities. Given an operation which involves skill, but no tremendous expenditure of muscular effort—and that is the case nowadays with large numbers of everyday industrial operations—a worker can maintain a high standard of performance for much longer than is commonly believed possible, provided he is given a means of checking up his actual achievement every now and then against the standard with which he began to work. Without this the standard will, almost inevitably, and generally insensibly, decline, and the quantity and quality of output will suffer.

Knowledge of results is an internal incentive. It is, so to speak, built into the operation itself. It comes into play as soon as a task begins and goes on operating in the same manner for as long as the task continues. The normal mechanism of its expression is to increase skill by economy of effort, and so its natural outcome is the prolongation of work. Knowledge of results may take many different forms, which call for a much more intense exploratory trial than they have ever been given. There are other internal incentives also. Pride in skill itself and in the accumulating products of skill, the operator's regard for his own tools and machines-these could developed and stimulated with advantage more than they commonly

But when most people talk about incentives they are thinking of the external kind-rewards, targets and sometimes punishments, though the last are very difficult to handle with any success. These also have been studied in a controlled manner and with some interesting results. working group whose everyday productivity was known and measured was given incentive conditions-a realizable target and encouragement as the workers neared the target. There was an immediate rise of productivity of some 60 per cent. But the rise was not equally distributed over the whole working group. The "good" operators improved more than twice as much as the "average" and "poor" operators. Moreover, all of them, good and poor alike, improved not by economy of effort but by increase of effort, and in the main by developing a faster working rate.

These results are not specific to any particular operation, but can be generalized now with complete certainty. Incentives will operate selectively upon any working population, producing outstanding results only in the case of the best operators, which, in the sphere of voluntary action—the only sphere with which incentives are concerned-means the most "willing" operators. Internal incentives naturally prolong activity, and hence require longer working hours, and perhaps a longer working life, to produce their full effects. External incentives naturally intensify activity, and are fundamentally of the nature of "spurt" conditions; and, unless they are handled with wisdom and insight, their long term effects may be precisely the opposite to those that are desired.

Two more decisively established facts are of profound importance. The first is that every human function which has been seriously studied has been shown to have its "tolerance limits." This is true for all important environmental conditions—such as degree of temperature and humidity, intensity and type of lighting and so on-and also for those characters of work itself now much discussed under the names "speed" and "load."

All of these can vary, often within wide limits, with little corresponding variations in the operations that are being attempted. But step beyond the limits only a little way and the operations will change drastically, for good or ill. No known incentive conditions which can be used in eevryday life have any important effect in the way of pushing back these tolerance limits. If incentives are used, a knowledge of how working equipment and working conditions ought to be designed in view of what people can normally do becomes more, not, as is often assumed, less important.

Spurts and Plateaux

In the second place, all external incentive is subject to that law of adaptation, or acclimatization, which affects every condition of activity not built into the operation itself. The reward produces its spurt of increased effort. But in time it becomes merely one of the everyday constant conditions of work. There is no longer anything special about it to attract attention. The spurt then reaches a plateau. And after this in most cases recession sets in. If now the same type of appeal is once more used, it must be stronger. We have got into another of those "ascending spirals" which produce a lot of difficult problems in modern social life.

There is perhaps one way by

which external incentive can avoid these troubles. Reward can produce permanent progressive effects if it can be tied up with long term personal programmes-the founding of a family, the accumulation of a fortune, the acquisition of stable power or position. last of these is not for the The first two may be. crowd. But, in proportion as any society removes them from the effective range of everyday consideration for large numbers of its population, it must be prepared to accept the external incentive as a condition of spurt only and to stand up to the recurring difficulties to which this is certain to

Finally, it never should be forgotten that incentive is intended to influence voluntary action. If there are any widely accepted social rules or conventions with strong sanctions, the operation of which is opposed to the natural effect of any incentive, the rules are very likely to get the upper hand. There is strong evidence for the view that, in our present state of society, the incentives which could be used most readily and effectively, with great gain to public health, great lessening of fatigue and with the most lasting results both upon output and upon the operators' own interests, are the ones whose natural expression is economy of effort and increase of skill. But these must lead, certainly immediately, and perhaps for a long time, to some increase of customary working hours, and very likely of the working life. And these as everybody knows, have their own difficulties.

But the Profit Motive Still Counts

says WILFRID HILL

During the 53 years' existence of the County Chemical Co., Ltd., I have looked for, and applied from time to time, incentives to production and progress in our business.

If I were asked to state the particular incentives which we use today, some of which have been in use for many years, and in the order of their importance, I would place them as follow:

1-PRODUCTION BONUS

Two years ago we adopted the following bonus scheme which has worked admirably:

The bonus we pay is 5 per cent. on all wages each quarter of the year if the production is in excess of the corresponding quarter of the previous year. It is simple and effective. No increase, no bonus. But I am glad to say that for the past three years the bonus has been earned and paid regularly.

Originally we paid a yearly bonus and the scheme was not so success-

ful

I give the bonus on output priority, but apart from this important incentive I have adopted other incentives which have proved in each case very successful.

2-GOOD RELATIONS

Personal and friendly contact between directors, managers and workers. The creation as far as possible of a "happy family" atmosphere.

This we have succeeded in doing,

and the changes in our staff and workpeople are very rare. For example, we have employees who have been with us for 50, 48, 37, 30, 20 and 10 years.

We have had the five-day week since 1935, but we never fail to get overtime or night shifts when they are needed, and we were able to keep our employees during the wars, despite the competition for labour.

3—ABSENTEEISM

After coming to the conclusion that an improvement in the health of our staff and workpeople would bring about a reduction of illness and absence from work, I tackled the problem of absenteeism from the health standpoint.

I wrote a monthly bulletin which was circulated among our employees for a period of two years. These health bulletins taught in simple language the causes of illnesses and the way to avoid them, also to build up a healthy body and mind free from disease.

Connected with this health scheme I give a guinea at the end of the year to all employees who had completed the year's service without loss of time due to illness. There is quite a keen competition for these guineas.

This health incentive was commenced in 1931 and has worked very well as the following percentages will show. In 1939 the highest percentage of employees receiving the guinea was 82 per cent. and the lowest percentage was the first year the scheme came into operation, when it was only 40 per cent.

The average during the past 18 years has been 60 per cent. So that our absenteeism problem has been very considerably reduced.

They are saying ...

Vernon BARTLETT, M.P.

I want to suggest that we talk less of the Cominform countries as satellites. We must remember, for example, that the Hungarian five-year plan, the Czechoslovak five-year plan and the Polish five-year plan cannot be carried out successfully unless those countries trade with us.—News Chronicle, Dec., 1949.

PAVEL BISLER (Czechoslovakia)

Of course, increased East-West trade by itself will not solve Britain's economic difficulties overnight, or for that matter, the difficulties of other E.R.P. countries. But increasing East-West trade would help to solve those difficulties, and would do so to a very considerable extent. The Economic Commission for Europe has calculated that if the volume of imports of the E.R.P. countries from the countries of Eastern Europe were only to return to its pre-war level, it would mean that some 30-40 per cent., if not more, of Western Europe's dollar deficit would be covered.—Speech, New York.

Professor L. DUDLEY STAMP

This very expensive experiment (East Africa Groundnuts Scheme), not that such areas are incapable of production and should have convinced settlement but of the very great difficulties which have to be surmounted. There no longer remain in the world any large areas of virgin land awaiting easy development.—London, Jan. 2, 1950.

Dr. DICKINSON, American Medical Association

The years which have been added to a man's expectation of life since 190 have made him fear not the grave but the chance of out-living his income.—Chicago, Jan. 1.

Measuring the Cost of Living

The index of retail prices should be superseded by something more scientific and less dangerous politically

THE index of retail prices has assumed a rôle of major importance in the national economy. Like the cost of living index before it, this interim index has considerable influence on all wage negotiations, while the wages of large groups of workers, for instance in building and in steel, are linked to it by sliding scale arrangements. The Trades Union Congress, with the approval of the Government, now propose to make it the pivot of their whole policy of wage stabilization. If it rises to 118 or falls to 106 then wages, according to their plan, will once again become open to negotiation.

The retail price index has been generally accepted as the best temporary arrangement that could be made in the circumstances, but its limitations were seen from the first. It is based on an inquiry into working class expenditure conducted in the years 1937-38, and there is no doubt that the distribution of spend-

ing is now different.

Since the devaluation of the £ events have shown far more serious failings in the present arrangement than its out-of-date weighting. The index did not give information which was necessary if that policy were to be properly adjusted to meet the new situation. Devaluation brought home the necessity of accepting a general reduction in the standard of life, but it was widely felt that it was still desirable to maintain the purchasing power of the least well-off sections of the community.

But the index gives little indication of the position of the lowest paid. It reflects the way in which the average family spent its money before the war. It is improbable, for instance, that the lowest paid workers spend more than a fifth of their income on drink and tobacco. Nor, since the index is a price index, does it take any account of the alleviation of the position of the least well-off made by family allowances and other social security payments.

More serious, the existence of the index in its present form may have prevented important and desirable in the national adjustments economy. It has been powerfully argued that it would be to the national advantage to make substantial reductions in food subsidies, and to compensate the needy who would be most affected by using part of the money saved to increase family allowances and such things as pensions. The case was cogently argued in October by a Special Correspondent in The Times and by Mr. Eden in the House of Commons.

The only serious objection which has been made to this course—the only one mentioned by the Prime Minister, replying to Mr. Eden-is that to reduce food subsidies would raise the price index and therefore result in wage demands. A desirable reform, therefore, seems to be blocked because the index takes statistical account of indirect welfare payments in the form of subsidies, but not direct welfare payments like family allowances and pensions. The health service and the other welfare payments are similarly excluded; so, too, are the weekly contributions. Indirect taxation affects the index, but not direct taxation.

What is wanted is a much more comprehensive picture of the financial position of working people than used to be necessary. Obviously it cannot be supplied by one index, representing only a general average of people whose circumstances differ widely, and excluding some extremely important things which affect household budgets. So long as there is only one index it is bound to be used for purposes for which it is unsuitable, and may often produce unfortunate results.

On the other side, there is equal need for more information about earnings and wage rates, and particularly about the numbers within various payment groups. If a new survey of household budgets is undertaken next year, as is much to be hoped, it could be used for a series of index figures some at least of which might differentiate between workers in different income groups and take into account family allowances and other social security benefits and payments.

There are technical difficulties, but they need not be regarded as insuperable. These figures would not only be valuable in themselves, but would serve a useful purpose if they weakened the unjustifiable and dangerous authority of the present

single average index.

SALIENT FIGURES OF THE MONTH

October: all other figures refer to November

* October	; all o	tner n	gures refer to	November.		1
				Latest Month	Increase (- crease (- Month Ago	+) or De- -) on a Year Ago
MANPOWER						
Total manufacturing industries			(thousands)	*8,353	+ 42	+180
Cotton spinning and weaving			do.	* 325.4	+ 1.9	+ 11.6
Coal (on colliery books)			do.	709	- 1	— 15
Reg. unemployed (G.B.)			do.	323.6	+ 23.3	- 4.4
PRODUCTION						- 1
Index of production			(1946 = 100)	* 134	+ 2	+ 8
Coal (average weekly output)		(th	nousand tons)	4,498	+143	+211
Steel ingots and castings (do.)		,	do.	315	+ 8	+ 12
Cotton yarn (do.)			(million lbs.)	* 18.8	+ 1.1	+ 0.5
Woven wool fabrics (do.)			linear yards)	* 25.1	+ 0.3	+ 1.1
Passenger cars (do.)			(thousands)	9.30	- 0.12	+ 2.87
Commercial vehicles (do.)			do.	4.97	+ 0.03	+ 1.13
Permanent houses completed			do.	16.44	+ 0.07	- 1.35
TRADE			ao.	10.11	1 0.07	1.00
Value of imports			(f, millions)	201.0	+ 2.1	+ 20.3
Value of exports			do.	160.4	+ 4.4	+ 13.3
Volume of exports			(1938 = 100)	162	+ 4	+ 14.9
Freight train traffic			million tons)	5.62	+ 0.15	+ 0.08
Retail sales		'	(1947 = 100)	132	+ 12	+ 14
FINANCE			(=====			
Currency in circulation			(f. million)	1,243	+ 2	+ 20
Deposits in London Clearing E	Banks		do.	6,066	+ 16	+ 9
Provincial cheque clearings (av.	worki	ng day) do.	6.38	+ 0.08	+ 0.40
WAGES AND PRICES			,			
Weekly wage rates			(1947 = 100)	109	Same	+ 2
Retail prices			(1947 = 100)	112	Same	+ 3
Wholesale prices			(1930 = 100)	239.7	+ 3.1	+ 19.6
Basic materials			do.	297.8	+ 6.4	- 9.9
Intermediate			do.	269.1	+ 2.9	+ 15.0
Manufactures			do.	226.5	+ 1.2	+ 12.3
Import prices			(1938 = 100)	124	+ 3	+ 11
P			do.	114	+ 1	+ 3
Export prices			uo.	114	1 1	T 3

Taxation Under the Microscope

ALL the articles in the Annals of the American Academy of Political and Social Science (November, 1949) deal with different aspects of one main subject, "Government Finance in a Stable and Growing Economy." Most of the 25 contributors to the symposium are economists, financial experts or specialists in taxation, but there are also articles by business men, the vice-president of the American Federation of Labour and a Congress Senator.

In the foreword, ALFRED G. BUEHLER, Professor of Public Finance at the University of Pennsylvania, states the main problem—

"There has been much discussion and controversy over the appropriate relations of government finance and the economy. Many are fearful of the results of public planning and control, believing that an expanded and more positive role for government will mean the eventual loss of economic freedom and the disintegration of private enterprise, as well as an excessive centralization of government authority and the serious weakening of political liberty. Ours is a mixed economy in which government and capitalistic enterprise are both active, and it is desirable for public and private activity to develop co-operatively along the lines that will assure a steadily risequitably distributed and national income.

"Since public spending, taxing, borrowing and financial administration

exert many significant effects on consumption, investment, employment and economic welfare, some fiscal policy is inescapable. The question then is, What fiscal policy should government pursue? To answer this question, it is necessary to decide what economic and social objectives the nation wishes to advance. What kind of society do we want? What are the proper functions of government and of private initiative? How should the essential functions of government be financed?"

Mr. Buehler also contributes the first article, "Government Finance and the Economy," from which the following extracts are taken.

"Capitalism, socialism and communism are not ends in themselves. As types of economic and social organizations they can logically be defended only if they most effectively provide the material and related resources which mankind desires. If modern capitalism, rationally adapted to meet the changing requirements of an evolving social order, can out-produce other economic systems and bring a higher and more secure level of living than some system of socialism, communism, or a dictatorship, the nation will be foolish to fail to develop such an economic organiza-

"But performance, not promises, is the logical test of democracy and capitalism, and they must demonstrate their superiority in furthering our economic objectives if they are to survive in the rivalry of competing

ways of life.

"Our economy is sometimes described as 'a mixed economy.' Capitalism is not unrestrained, and government action is not unlimited. The individual is still important, but the social and economic influence of government has greatly increased. In the era before us, a prominent role must therefore be assigned to governmental, as well as to private, action.

"Governments have followed various fiscal policies in the past. In the age of mercantilism they employed protective tariffs, regulatory taxes and other measures to erect a rich and powerful national state. The reaction to regimentation brought laissez faire policies, and governments sought to regulate economic activity as little as possible to rely on private initiative to maintain a strong and flourishing economy.

"As individualism was found to run to excesses, as popular government brought to the people a greater control over the public purse, and as wars and public works necessitated larger public budgets and new taxes, the complexion of public finance began to change. Public expenditures for the benefit of the masses began to be financed with the revenues from progressive income Taxation came and death taxes. more and more to be levied on the basis of popular ideas of ability to pay. More of the citizen's income was taken in taxes, and various regulations were imposed upon industry and other segments of the economy.

"The newer fiscal policies came into popularity with the advent of the Great Depression and the efforts of various nations to smooth out the business cycle and attain a rising national income. Now, through the planning and utilization of public

finance, in conjunction with other controls, consumption, investment and economic activity are to be regulated in a way which will make for full employment and steady and rising individual incomes."

GERHARD COLM, an economist on the staff of President Truman's Council of Economic Advisers, in discussing "The Nation's Economic Budget," writes: "As government programmes expand in size and complexity, the application of the conventional principles of budget policy requires continuing improvement in the processes of budget-making and in the presentation of the budget document.

"Different government procedures are required, however, to assure that the general impact on the whole economy of government expenditure and tax and debt policies is taken into account. And these procedures in turn require statistical statements that depict the relationship, present and prospective, of government transactions to the income and expenditures of consumers, to the income and expenditures of business, and to international transactions.

Making Budgets

"Thus the addition of general economic considerations to the traditional principles in appraising and determining budget policies has led to the need for statistical statements that go beyond the government budgets, and depict these budgets as an integral part of the Nation's Economic Budget. This is a concept that has recently become of importance in the thinking of economists and the practice of many countries.

"The idea of the Nation's Economic Budget is that of viewing the problems of the economy as a whole, including both the public and the private sectors, and co-ordinating

public and private activities in the attainment of our goals of economic

stability and growth."

H. L. LUTZ, tax consultant to the National Association of Manufacturers, raises an interesting point about government expenditure:

"Government operations are part of the 'roll-over' of income, goods and services. In the national income the funds accounts. collected through taxes or loans are added to total national expenditure; hence it would appear that the more government collects and spends, the larger is the national income. Government services in equivalent amount are added to the total of national product, on the assumption that these services are worth what they cost.

No Testing Ground

"As a means of balancing the national income and expenditure accounts, such an assumption is necessary, but its economic weakness is evident. This weakness is that there is no free market testing of the value government is supposed to create by its taxing and spending.

"In the private economy, this test of equivalent market worth is universal. Payments of income are made only when equivalent values in goods or services are received; and vice versa, goods are sold and services are performed only when equivalent

income values are received.

"But government gets its income through compulsion, whether through taxation or through flat money. The sale of bonds may be politely referred to as a voluntary transaction, but the banks can no longer be regarded as wholly free agents, and when the velvet wears thin on the iron glove, there is always the printing press. Neither taxpayers nor bond buyers are free agents in their dealings with government as they are in their private

dealings with each other.

"In consequence, the national income accounts carry a concealed error which springs from this overvaluation of government services in relation to their cost. Beyond some point, these services are not worth what they cost, and from that point on, government becomes a deadweight drag on the economy.

"In the case of a private business, any fraudulent valuation of assets indicates an impairment of capital. Likewise, the expansion of taxing and spending, particularly into the zone of dead-weight drag, occurs at the expense of the national capital. That is, it reduces the amount available in the economy for saving and investment. It is, in effect, a diversion of income from capital formation to consumption purposes."

EMIL SCHRAM, president of the New York Stock Exchange, discusses the effect of taxation on venture capital, a subject touched upon by other contributors. In his view it is a case of "Heads I win; Tails you lose." "Economists, bankers and business men now realize that, useful as it was in financing the war, the Federal tax structure, particularly the manner in which taxes are levied, has dried up the traditional sources of venture capital.

"Those who formerly provided venture capital—the large earners, self-employed and employed by others, who could afford to balance the profits and losses incident to investment in ownership—have little left for venturing after expenses, paying taxes, providing additional insurance for their families to compensate for a depreciated dollar, and

educating their children.

"Our present capital gains tax acts as a deterrent to risk-taking. A prospective risk-taker is acutely conscious of the fact that if his venture succeeds, a sizeable share of any appreciation in the value of his investment will be taken in taxes when he sells his holdings; on the other side, if he suffers a loss, he is allowed only a limited offset against other income.

"No system could be better devised to discourage risk-taking at a time when personal income taxes are crushing in the upper brackets. A tax rate so high that it discourages realization of capital gains also robs the Treasury of potential revenue."

"The Personal Income Tax and the Economy" is the subject chosen by HOWARD R. BOWEN, Dean of the College of Commerce, University of Illinois.

"The United States is dedicated to the task of operating successfully an economy which we like to characterize as the 'free enterprise system' or 'capitalism.' During the past century or more we have become increasingly concerned with certain major problems that have arisen in this kind connexion with economic system. Among the more important of these problems have been: (1) Tendencies towards monopoly and undue concentration of economic power; (2) wasteful use of land and other natural resources; discordant relations between management and labour; (4) periodic unemployment or depression, and (5) a distribution of income that is widely regarded as inequitable.

"In our efforts to cope with these problems, we have introduced a long series of legislative and institutional changes ranging from free public education, anti-trust laws, and public utility regulation to social security, labour legislation, and control of atomic energy.

"Taken together, these institutional innovations have greatly modified the capitalistic system. They have profoundly changed the character of the economic process. They have influenced the level of employment, the composition of our national product, and the distribution of that product among income recipients."

"Although there is widespread popular and professional acceptance of the personal income tax, one major issue remains; namely, the effect on incentives when the tax is levied at high and steeply graduated rates. Unfortunately, almost nothing is known about the effects of a graduated personal income tax on the willingness of people to work, to assume responsibilities and to accept risks.

"Persons in the higher brackets often complain that the tax deters them from putting forth their best or fullest efforts. Instances are frequently cited of men who prefer lower salaries with smaller responsibilities to higher salaries with greater responsibilities; or of selfemployed persons who 'go fishing' after their income for a given year has reached the upper limit of a given tax bracket; or of individuals who decide not to go into business for themselves because Uncle Sam would take part of the profits if they should be successful; or of investors who prefer not to buy equity securities in a new corporation because the prospective return after taxes would not justify the risks."

Two interesting tables are provided by LEWIS H. KIMMEL, a member of the research staff of the Brookings Institution. (See next page.)

Double Taxation

Lastly JOHN W. HANES, writing from the business man's viewpoint, criticizes the double taxation of dividends, as do other contributors. "In my opinion, possibly the most important tax reform in any transitional programme is the elimination of the double taxation on dividends. That this change is both

basic and possible in a modern nation is being demonstrated at this

moment in Canada.

"In announcing a sweeping tax cut last spring, Canadian Finance Minister Douglas Abbott offered an explanation that I should like to see framed on the office wall of every United States Congressman, Senator and tax administrator. He said:

"To-day we find governments in this country, as well as in most other countries, taxing away at least a third of corporate profits. In addition, the personal income tax rates apply in full to what is distributed out of the remaining two-thirds. The tax may be as high as 80 per cent. upon distributions to shareholders.

"'It seems to me that under a system of private enterprise, which depends for its existence on a steady flow of venture capital, we cannot afford to neglect the implication of this defect in our tax system, which has been accentuated by the increase in both corporate and personal income taxes...

"'It is a matter of concern for the future under a system where we depend, and must depend, for full employment and the creation of new wealth on the willingness of our people to risk their money in con-

structive enterprises."

TAX COLLECTIONS AND NATIONAL INCOME, SELECTED FISCAL YEARS
National Income and Tax Collections
(In billions of dollars)

Item	1930	1935	1940	1946	1947	1948
National income* Tax collections:	81.2	52.7	76.9	181.1	190.6	214.0
Federal	3.5	3.5	4.8	36.8	34.8	37.6
State†	1.8	1.9	3.0	4.6	5.3	6.3
Local†	5.0	4.3	5.0	5.4	6.2	7.1
TotalSocial security taxes	10.3	9.7	12.8 1.7	46.8 2.8	46.3 3.0	51.0 3.5
Total, including social security taxes	10.3	9.7	14.5	49.6	49.3	54.5

Ratio of Tax Collections to National Income (In percentages)

Federal	4.3	6.6 3.6	6.2 3.9	20.3 2.5	18.2 2.8	17.6
Local	6.2	8.2	6.5	3.0	3.3	2.9 3.3
TotalSocial security taxes	12.7	18.4	16.6 2.2	25.8 1.6	24.3 1.6	23.8 1.6
Total, including social security taxes	12.7	18.4	18.8	27.4	25.9	25.4

*The figures for national income here used are averages for the calendar year indicated and the preceding calendar year. This is necessary in order to place the figures for national income on a basis roughly comparable to those for tax collections.

†In compiling the state and local figures here shown, the distinction between local shares in state-collected taxes and grants-in-aid has been retained. Local shares are

included in local taxes.

Trend of Anti-Truman Economic Thought

By HARRY KROCK

This memorandum was published in the New York
Times—doubtless in the faint hope that President
Truman would refer to it in preparing his annual report
to Congress

In the economic field there has been widespread adherence to the following beliefs, directly challenged by the President's domestic programmes, that:

1. What goes up must come down.

2. Government spending and deficit financing in hard times, the Keynes theory, may be economically justified; but the same course in times like these cannot be.

3. Freezing the industrial pattern through taxation and labour policies keeps worthy newcomers out of the consumers' market and holds down the "common man" who is the professed concern of the administration.

4. Hired economists who are expected to marry any economic situation to the political necessities of their employers, and do, are not safe guides to national policies.

5. All domestic reforms, however good, cannot be achieved at once, especially when a nation is heavily burdened with unusual expenses in foreign and defence requirements, as the United States now is.

6. Wishful thinking of what revenue will be, including reliance on Government economies which are resisted by powerful politicians (for example, the recommendations of the Hoover Commission), is not an

act of responsible management.

7. When public policies have dried up the sources of risk investment at home it is visionary to press measures like Point 4 for even riskier investment abroad; and Government guarantees could only put another load on the general taxpayer.

8. Distortion of the functions of Government lending agencies (as the statement of the Reconstruction Finance Corporation that its Kaiser loan was made with maintenance of employment in mind) is a Socialist doctrine and wholly unauthorised in any law.

9. Tax increases in already high schedules, in a time when business re-adjustment is proceeding in an orderly manner, constitute a plain threat to the success of that re-adjustment.

10. A programme which pledges high production prices and low consumer costs (the Brannan farm plan) is not only unsound in principle, but also in economics, because its cost, since this cannot be controlled, cannot be estimated.

In one way or another, each of these economic theories, with a historical background which supports them strongly, has been challenged or disregarded by the President and members of his administration.

Is the Sherman Act Effective?

By WENDELL BURGE

Formerly Assistant Attorney-General in charge of the Anti-Trust Division of the U.S. Dept. of Justice

In two articles in *The Times*, Mr. Wendell Burge describes the working of the Sherman Anti-Trust Act passed by Congress 1890.

The Act makes unlawful "every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce" and "all monopolies, attempts to monopolize, combinations or conspiracies to monopolize any part of trade or commerce."

The statute has long been construed to forbid only restraints or monopolies which may be unreasonable. What is unreasonable depends upon the extent to which the restraint or monopoly closes the market to competitors and establishes limits to the operation of market conditions.

Generally speaking, the practices most often involved can be grouped into four categories: (1) Fixing prices; (2) Limiting production or sales; (3) Limiting quality or service; (4) Restricting sources of supply.

Mr. Burge explains what these four kinds of illegal practices mean and what view the courts have taken of them. On the subject of monopoly, he says—

"The basic decision in monopoly cases is the amount of control exercised in the market. The extent of control necessary to constitute monopoly has not, and probably cannot, be fixed with mathematical certainty by the courts. In determining whether a monopoly exists, the courts have looked to the percentage of the market controlled, the

strength of remaining competitors, whether the control comes through acquisition of facilities for business purpose or a purpose to monopolize, the probable development of the industry, and consumer demands and other characteristics of the market. Each case is therefore to be examined on its own facts, and generalized conclusions are unsafe in the absence of a detailed study of the facts."

He goes on to outline the procedures of preliminary investigation and trial in the courts. These take time; it is not uncommon for an anti-trust case to take a period of four or five years to prosecute to a The Department of conclusion. Justice has, however, evolved a procedure which makes possible a more rapid conclusion in civil cases through the use of the "consent In this procedure the defendants are expected to offer suggestions which will bring their practices into line with the requirements of the Sherman Act. There is give and take on both sides and eventually the decree is presented to the court as a settlement of the pending action. If the trial judge considers the decree satisfactory, it is entered as the court's judgment. Violations of the terms are treated as contempt of court.

In Mr. Burge's opinion the Sherman Act, notwithstanding its broad sweep, cannot be said to have stopped the trend towards concentration in American industry and the elimination of competition. But

it would be a mistake to conclude that the Sherman Act is, or has been, without effect on the American economy. While the ideal of free competition may never be completely attained, certainly the Sherman Act has operated to maintain a vast area of workable competition. The Sherman Act and related trade regulation laws have perhaps had their greatest force in preventive effect. Certainly most American business operates with a careful eye to the prohibitions of the Sherman Act, which, although invoked in

relatively few cases, have been sufficient to prevent a crystallization of American economy and inflexibility similar to that of the countries which have permitted and encouraged a high degree of cartelization and concentration.

The prohibitions of the Sherman Act are firmly embedded in American political and economic life. It is safe to say that the Sherman Anti-Trust Act expresses a philosophy which will be supported by all political parties in the United States.

America Is Not Going Socialist

By Professor SUMNER H. SLICHTER

Harvard

Long-run trends are tending to produce an American economic structure characterized by high and more stable levels of employment and production, Prof. Sumner H. Slichter, reported before the American Economic Association.

Analysing long term economic trends, Professor Slichter differed sharply with colleagues who deplored what they considered tendencies or drifts toward socialism or a planned economy. Holding that neither present trends nor current conditions favoured those alternatives, he maintained that an improved variety of capitalism was indicated.

Ploughed-back earnings of corporations account for about half of the net savings of the community and those of unincorporated enterprises for a substantial part of personal savings. The proportion of retained earnings would drop quickly in response to a decrease in investment opportunities, he believed, thus helping to prevent a drop in the rate of spending.

"The tendency of unions to raise the supply price of labour faster than managers increase output per manhour will be offset by a rise in prices," he believed, noting that special steps may have to be taken to bring this about.

The wave-like movement of business characteristic of the economy of the nineteenth century and the first part of the twentieth will be considerably moderated.

"This gain in the stabilization of the economy is partly a result of experience and partly a result of improvement in economic institutions. The enormous growth of the staff in business and the prospect that the environment will be more or less hostile to business will tend to make periods of expansion much less buoyant."

A gradual increase in the number of free or nearly free services provided by Government must be expected, but this is not socialism.

The initiative in Africa cannot remain exclusively in the hands of Europeans, and great adjustments must be made speedily. Otherwise Africa may be a menace to the peace of the world

Shadow Over Africa

By Professor S. HERBERT FRANKEL

Professor of Colonial Economics, Nuffield College, Oxford

THE future of all African economic progress will depend on freeing the African peoples from the factors which have checked their progress in the past, and the artificial restrictions which in some territories still prevent the unfolding of their abilities . . . If twentieth century experience in Africa has proved anything at all, it is that the wealth of Africa has, as yet, hardly been discovered, simply because it lies deep in the soil of Africa itself. Only by the co-operant efforts of Africans and Europeans will it be unearthed; undue haste will destroy much of it. It is patient united effort that is needed.

The curtain has now risen and the playing of the drama has begun; but we Europeans, who only a few years ago thought that we were directing it, now have an uneasy feeling that we are merely its spectators, and that we are witnessing a play without a producer and, indeed, without a script.

If I may continue to use this somewhat inadequate analogy, I would say that, until recently, the metropolitan powers believed they had such a "script" or "formula" for development. Basically, their philosophy rested on the belief that Europeans could and would provide the political and economic framework for African social action. They could and would provide order and "good

government." Within that framework, private enterprise from abroad and from within the developing African community, would fill in the flesh and blood of new economic growth to clothe the skeleton structure provided by capital investment in communications and the like.

Thus the fostering of co-operation between Africans and Europeans was not a conscious objective. some areas, for example in the Union of South Africa, it was always assumed that development consisted essentially of a process the only active constituents of which were European initiative and leadership, based on European dominance. The African was to adjust himself as an individual—not as a social group—to the random demands of European economic evolution. He was to remain a passive agent of that evolution in a legally and customarily entrenched inferior economic status.

Britain, to its undying credit, has never subscribed to this indefensible doctrine. Yet even in British colonial territories it was implicitly assumed that the basic framework of social and economic action would be provided from without. It makes little difference whether such a foreign framework is that of laissez-faire, or involves the now fashionable attempts to transplant to Africa the trimmings of the welfare state; the

fundamental point remains that the framework originates from outside of the indigenous societies of Africa. Organic social growth, however, can only be developed from within communities themselves by their own responsible experimental social action.

It is again to the credit of British policy that it has recognized the direction in which change must take place, and that it is, particularly in political organization, endeavouring to further such indigenous responsibilities.

It is for this reason that I regard the recent constitutional changes recommended for the Gold Coast as the inevitable beginning of the end, not only of a political but also of an economic epoch. But they imply a long period of uncertainty, during which the pattern and framework of European economic influence will be progressively modified.

If now we look at developments in the Uuion of South Africa, I think we can discern trends which foreshadow a similar period of growing uncertainty. The emotional intensity with which that symbol of social inaction, "Apartheid," is now being flaunted, is but the reflection of the failure of the existing framework in the Union to develop those very institutions which can alone call forth that organic co-operation between black and white on which the future economic structure of South Africa must be based if it is not to disintegrate.

It is clear that the assumption that the non-European will continue to remain a merely passive, unfree agent within the established framework of the Union is no longer tenable. On the contrary, the present Government, by ruthlessly raising deep psychological issues has, once and for all, shattered the possibility of a return to the undefined philosophical assumptions on which the old framework was based. It has infused grave uncertainties and a feeling of insecurity which will not be eliminated until a new Charter of human and economic rights is drawn up for all in this multi-racial society.

In British Central and East Africa there are in varying degrees similar uncertainties as to the nature of the institutions which will replace the economic framework which, but a dozen years ago, seemed to the governments, investors, and peoples of Europe and America so simple and secure.

Who will take the economic initiative in Africa against this background of growing confusion, which bids fair to cut right across all plans of capital investment and economic development based on the easy-going assumptions of the past?

The Guarantees They Need

The indigenous peoples in selfgoverning, or partly self-governing, African territories require the help of science, skill and capital from abroad. What guarantees will they be able to give to secure the confidence of the non-African world in helping them? The settled European population in Africa, most of whom have been born and bred in a continent which they have done so much to develop, require the cooperation of Africans to maintain their civilization. What guarantees will they give that it can and will be reconciled with the legitimate demands Africans will, and have the right to, make to share in it as free men?

It would be presumptuous to attempt to indicate in a short article even the main questions that these uncertainties imply, let alone to suggest answers to them. But one thing is certain—world statesmanship, if it is to avert the danger of long barren

conflict, must grapple resolutely and soon with the problem of formulating a new set of principles for Africa, without which events in Africa may well threaten the peace of the world. There must be willingness on all sides to jettison beliefs and practices which are no longer in keeping with the realities of the modern world.

There is one sociological fact, the significance of which I believe is often overlooked, which points to the direction in which at least part of the answers to our problem may be found. If, for a moment, we shut our ears to the raucous racialists, and our eyes to the exaggerated implications of differences in colour, we will, I believe, see the African scene in our mind's eve as one in which "the clash of progress and security" takes the form of the disintegration of established rural economies, on the one hand, and of their interpenetration by the money economy of the outside world on the other hand.

When the old pattern of social indigenous action is disintegrated, there is created an unfree proletariat which is the main source of disharmony and conflict. In the past, the only attempt to stem this process has been through the reservation of large areas of land in which the rural population is not to be disturbed. But this is no way out of the impasse. History has shown how easily such areas can take on the aspect of human "game reserves," possibly growing more, and not less, unequal in the struggle for cultural, social and economic survival. The real problem is to give the man in the reserve, and the man of the tribe, security through new-found strength, so that by undergoing the benefit of change he can yet withstand its undue pressures.

The real problem, as I see it, is therefore twofold. It is, on the one hand, to create those larger regional and national units which are necessary for economic government in the modern world, and yet on the other hand to create within them decentralized autonomous units of economic and social self-government, attuned to the evolutionary status of their inhabitants.

In doing this, it will be necessary for real constitutional safeguards to be formulated which make these decentralized autonomous local units economically viable. They will have to receive not only political guarantees but economic guarantees as well. Such economic guarantees must not be left vague. For example, proportions of the revenues of the larger regions must be constitutionally guaranteed to the smaller autonomous units, in order to assist their independent development. This was done, for example, in Natal and the Orange Free State, and in the constitutions of many modern Federations. Here I am thinking not only of provinces but of smaller regions as well.

It is because I believe that the peaceful future of Africa depends on a new formulation of the relations between the less and more developed regions and peoples of the continent, that I feel it is important that certain aspects of the proposals for a type of federal solution of the regional and national problems of British Central Africa, as recently put forward in the Rhodesias, should receive a new critical appraisal.

Is is not possible that in this area there is the opportunity for new fearless constitutional experimentation, as one step in the development of a new outlook which will liberate Africa as a whole from the great uncertainties which threaten to inhibit its development for many years to

come?

India, Pakistan, Ceylon Plan Big Developments . . .

The thirty-third report of the Commonwealth Economic Committee (briefly reviewed in The Economic Digest, January, 1950), contains an interesting summary of development plans in the Indian sub-continent. India's development programme deserves special mention, not only because its immense size and population makes it the largest potential market in the East, but also because of the effect the execution of the plans will have on the pattern of India's foreign trade.

The basis of the plans is a number of multi-purpose projects estimated to cost £160 million and to produce in five to 10 years an additional 1.5 million kW. of electricity and bring under irrigation about 15 million acres. Plans for major industries include two new steel works to raise production from the present level of 1 million to over 3 million tons. Coal production is to be raised from 30 to 40 million tons and the output of cement doubled.

All branches of the textile industry are to be expanded, and various forms of engineering. The production of refined sugar, power alcohol and paper is also to be increased substantially.

The execution of these plans will involve heavy imports of capital goods, estimated at the rate of £75—100 millions a year. Imports of food grains have since 1945 imposed a heavy burden on India's economy, amounting in 1948 to almost £100 million. A new self-sufficiency food plan was announced in March, 1949, which, it is hoped, will enable India

to dispense with imports after 1951 except in years of crop failure.

The economy of Pakistan has hitherto been predominantly agricultural, and her external trade has consisted mainly of raw materials such as jute, cotton, wool and hides and skins. But the agricultural resources are regarded as providing a sound basis for industrial development. Schemes costing some £37 million over a five-year period have been approved, of which fir million is for electricity development, fio million for communications and flo million for irrigation. Highest priority is being given to the development of hydro-electric power for industrial purposes.

The economy of Ceylon has hitherto been based mainly on two commodities, tea and rubber. It is proposed to diversify the agricultural economy by increasing the production of essential foodstuffs with the aim of making the island eventually self-supporting. The main feature of a six-year development plan is the opening up of the "Dry Zone" in the northern part of the island for colonization and agricultural production, especially of rice. The most important project is a large irrigation work already under construction. It is also proposed to develop hydroelectric power mainly for industrial purposes.

It is hoped to finance most of the expenditure out of revenue and internal loans, but it may be possible to draw on sterling balances and on the International Bank for external capital equipment.

capital equipment.

India Has Million-Ton Export Target for Manganese

A SPECIAL article in The Eastern Economist draws attention to the importance of India as a supplier of manganese to the world's iron and

steel industry.

Historically, there has been a striking correspondence between the levels of iron and steel production and manganese production. The following figures illustrate this relationship:

	(I	n Million T	ons)	
Year	Wo	ion	Indian Pro- duction	
	Pig Iron and Ferro- Alloys	Steel Ingots and Castings	Manga- nese Ore	Manga- nese Ore
1913	77.91	75.15	2.28	0.815
1922	54.77	67.70	1.31	0.474
1927	85.39	100.23	3.24	1.129
1932	39.33	49.92	1.22	0.213
1937	103.39	133.59	6.00	1.051
1944	105.19	148.85	2.85	0.371
1946	78.03	109.96	3.64	0.253
1948	146.43	125.20	***	0.306

The peak year of Indian production was 1937. Since then production and export figures have fallen and in 1947 and 1948 were only about a third of the 1937 mark. Fortunately the industry is one which lends itself readily to the contraction or expansion of production. When prices are poor, mining companies call off operations; when prospects improve they re-open their properties.

Lack of plant and equipment is not the obstacle to the expansion of production. But there is opposition to increased exports from those who think that the reserves of ore should be reserved for India's own ore and steel industry. Against this contention there is the hard fact that the Indian iron and steel industry does not at present require more than 80,000 tons a year and is unlikely to require more than 150,000 tons a year in the next 10 years. Further the reserves are probably much higher than is sometimes thought, and could support an average export of a million tons a year without serious danger of exhaustion.

It has also been suggested that it would be better for India to develop the ferro-manganese industry and export in this form rather than in the form of raw material. Output of ferro-manganese is at present about 20,000 tons a year and there are technical difficulties in expansion of production owing to the scarcity of ore and coke with a low phosphorous content as required for

manufacture.

	1937 Peak year	1948-49 Financial year	1949 (estimates for calen- dar year)
Belgium	137,437		
France	185,203		
Germany	18,035		
Italy	19,114		
Japan United	178,547		
Kingdom United	272,265	49,331	100,000
States	143,102	155,978	400,000
Others	27,486	103,586	200,000
Total	981,189	308,895	700,000

The most significant figure is the increase in exports to the United States—consequent, no doubt, on the falling off of supplies from the

Soviet Union, which was formerly the largest producer and exporter. If, as seems probable, the Soviet Government restricts its exports of this important strategic material it may be expected that the U.S.A. will take still larger quantities from India, both for current consumption and for stock piling. Negotiations have, in fact, been going on for an exchange of wheat from America against manganese and mica from

Lower Commodity

Prices Are Coming

THE basic position of commodity markets has probably changed more than the short term price movements have so far suggested. The deficiency of supplies, which prevailed from 1945 to 1948, has slowly but surely given way to potential and actual surpluses which promise to expand progressively in the early 'fifties.

Producers and Governments have learnt in the inter-war period that surpluses call for early action. Accordingly, private and official restrictions of production have in recent months become a live issue for the first time since 1939. Moreover, schemes for moving the surpluses into consumption in undernourished or impoverished countries are being actively studied by the United States Government.

Limitation of current production, official price supports, exceptional measures for the distribution of surpluses and similar developments can for a period prevent the fundamental changes from finding their full expression in prices. Yet these changes are bound to lead to keener international competition. And this, for the first time in 10 years, will

compel commodity producers to study their costs.

During the 10-year boom costs have risen almost unhindered. The scope for reduction is thus considerable in all parts of the world, especially as a substantial amount of new equipment is now being put into use and marginal production is no longer indispensable to meet demand.

Orderly Progression?

Organized national and international action may well seek to maintain commodity prices at a higher level than is economically justified, and may for a time succeed. But such action will usually provide -as does the American farm programme-for lower prices from year to year. The signs are that the early 1950's, including 1950 itself, will see a steady fall in the general level of primary commodity prices.

That the fall will be gradual and orderly is everybody's hope. And there is no reason why it should be disappointed unless Governments or producers try to maintain excessive

prices for too long.

MIDLAND BANK LIMITED

Extracts from Statement by the Chairman, The Most Hon. The Marquess of Linlithgow, K.G., K.T.

It has been widely advocated, for some time past but particularly since devaluation, that the authorities should take steps deliberately to lever up interest rates, with a view to reinforcing disinflationary measures already taken or yet to be applied. We need to ask ourselves, in considering this proposal, in what way and under what conditions action of the kind suggested would be effective.

After outlining the working of interest rates in a freely moving system and recalling the indispensable bases and conditions for successful operation of the system, the Statement goes on to say that one need hardly do more than list the requirements in order to see that they are almost completely lacking today. This being so, we are at least entitled to question whether an all-round rise in interest rates would serve the purpose of strengthening the country's international position or combating inflationary pressure. Let us, then, look a little more closely at the probable consequences of such action. First, a rise in rates would not attract international funds to London while exchange control, largely on a bilateral basis, obstructs free outward movement; and overseas borrowing in London is already so closely controlled that deterrents by way of increased charges are not required. The charging of higher " interest would be unlikely to cause liquidation of stocks or bring about a decline in prices, to which in any event there are formidable obstacles outside the monetary field. Further, long-term borrowings, whether by new capital issues or otherwise, are controlled in accordance with national policy and the scale of priorities ruling for the time being, so that direct curtailment is a more effective form of restraint than a rise in interest rates. Whether higher rates would induce a freer flow of investible funds by encouraging saving is doubtful in the light of experience.

On the other side of the account, even approved projects, of high priority in the interests of economic recovery, would be made to bear the burden of higher interest charges. The running costs of industry and trade, so far as they depend on bank credit, would be increased, and this at a time when the upward pressure on costs from other directions is already hard to resist, and when margins of profit are narrowing. The financial burden of carrying the public debt, both local and national, would be enlarged, with further weakening of the disinflationary effects of a budget surplus. It is, moreover, characteristic of a rise in interest rates that the instrument is a rough and ready one, operating without any assuredly rational discrimination between one element in demand and another. With these disadvantages to be reckoned in the balance, it is difficult to see how any case remains for an all-round raising of interest rates in present conditions.

REGULATION OF BANK ADVANCES

My conclusion is that disinflation has to be sought along other lines. Yet we need to be careful in selecting the right kind of action. It might perhaps be thought, for example, that a deliberate contraction of bank lending would be a suitable means of enforcing disinflation. True, it is that bank advances have been increasing ever since the end of the war, until by November, 1949 they had roughly doubled in amount. This movement, however, has been regulated throughout by reference to the indications of national policy given from time to time by successive Chancellors of the Exchequer, and there can be little room for any "squeezing out" by resort to some new process of contraction.

A short time ago a re-examination was made of the reasons for enlarged borrowing from the banks, and it may be useful to summarize them. First, the switch-over from war- to peace-economy meant that a large volume of production and distribution formerly financed by Government, as by the system of progress payments, had now to be privately financed. Then again, the rehabilitation of many branches of business which had undergone severe contraction called for reinstated credit facilities, as did the gradual reconstitution of stocks of goods required for the smooth operation of industry and trade, the encouragement of developing enterprise and the reconstruction of basic industries entailed heavy bank lending, while large demands have been forthcoming to meet the programme of expansion in agriculture, the imperative needs of export trade and the requirements of the building industry. Behind all these factors making for enlargement of business demands for credit has been the upward trend of costs of raw materials, labour, social service contributions and other elements in trading and profit and loss accounts. The weight of taxation, too, has encroached upon the power of business undertakings to "plough back" profits in the process of selffinancing. Moreover, the difficulty, in recent times, of raising new capital in the market, even for purposes fully approved in the national interest, has stretched the resources of many undertakings, causing them to lean more heavily on the banks for short-term accommodation. As for public authorities, local government bodies have borrowed more from the banks, especially to finance their building and other works pending the receipt of long-term loans, while the absorption of many private undertakings into nationalized corporations has by no means extinguished the need for bank credit in the current operation of the industries concerned.

With all this in mind, it would seem the reverse of wisdom for the banks to undertake, or to be required to undertake, any deliberate and general contraction of the credit facilities extended in accordance with national policy as officially defined. Such action could not fail to impede the flow of production and distribution, into the export as well as the home markets; and many undertakings would be pressed inescapably into difficulties the issue of which must be restricted operation, unemployment and the deferment of many projects contributing to industrial efficiency and enterprise in overseas markets. Incidentally, curtailment of bank credit might well force business undertakings to sell their remaining gilt-edged securities. thereby contributing to a still further lowering of values. Thus, while in present circumstances a levering-up of interest rates would be likely to prove ineffective in achieving the ultimate aim of economic stability, direct and forcible credit contraction would deal only with symptoms, and might well have grave results exactly opposite to those desired.

The cardinal question of national economic policy remains to-day what it has been all through the post-war period: it is the question whether drastic action to curtail current domestic demands upon our productive resources can be any longer deferred, or whether the best means of avoiding that curtailment is not by giving industry greater latitude, in more flexible conditions than now obtain, to take such measures as are required to raise the general level of efficiency in production and distribution, and thus to enlarge the national output at a more rapid rate than has been attainable hitherto.

World Conditions and Prospects

War-damaged countries expanded their agricultural production through lack of dollars. If food is ever again to be produced economically, governments must restore mutilateral trade

LOOKING back over the past 10 years, it is apparent that World War II caused more serious and more widespread damage to agriculture than did World War I. Not only was there a serious setback throughout Europe and in the European regions of the U.S.S.R., but agriculture was likewise dislocated over large areas of the Far East.

As in World War I, Canada, Cuba, the United States and some other countries greatly expanded their agricultural production. Until late in 1948, these countries were repeatedly urged to produce more and more for export and they introduced special measures both to stimulate output and to restrict internal consumption. To-day these appeals are no longer being made. Agriculture in war-damaged countries, notably Europe and the U.S.S.R., is recovering rapidly. Deficit countries, even those receiving United States foreign aid, do not have dollars enough to buy as much of certain commodities as the hard currency countries are offering for export.

Looking back 50 years over the first half of the twentieth century, the trends are still more instructive. There have been two major wars and the world's worst economic depression. We have wasted much energy, destroyed much wealth. Yet in the more advanced countries, containing about one-quarter of the world's

population, each individual consumer can buy far more than his father or mother could in 1900, because in these countries great techdevelopments have been nical accomplished, both in manufacturing and in farming. As one result, these consumers have wished to diversify their diets and agriculture has responded briskly to that wish. The output of sugar, fats, fish, livestock products, fruit and vegetables, has been enormously expanded, partly in their own temperate zone and partly in tropical and subtropical regions. Three-quarters of the world's population has been little affected by these great changes.

Before World War II, the movement of goods from country to country was increasingly beset by manmade obstacles, but it is many times more difficult to-day. The multilateral system has, for the time being, altogether broken down, and goods that cannot flow through channels once considered normal have to be diverted to other channels or fail to move at all.

Many people harbour fears, in my opinion well justified, of the early accumulation of surpluses in some countries while shortages persist in others. It is sometimes argued that international trade problems concern almost exclusively the advanced countries and that F.A.O. should not spend overmuch time with these

questions. This view cannot be accepted. It is to the advantage of all nations that specialization of function should be maintained.

More than half the exports of the under-developed countries are agricultural products; the prices and other conditions under which these products are sold powerfully influence these countries' opportunities for economic development. For these reasons, governments have an immediate and corporate responsibility to take action which will prevent serious log jams in international trade and result in an increased volume of goods exchanged.

International trade in farm products, as in other products, has been recovering steadily since the war, but there are signs of trouble ahead. In 1948 many Latin American countries felt obliged to curtail their imports, including some food items, and European countries are now doing the same, in both cases on account of dollar shortage. Meantime, the trade between countries within the soft currency area continues to expand, albeit under an innumerable array of arrangements.

As regards the outlook for the next year or two, it appears that while North America intends to maintain the volume of her imports of food and agricultural raw materials at about the 1948/49 level, Europe is constrained to reduce substantially her imports from the dollar area and hopes to expand her imports from the soft currency areas. Underdeveloped countries in general expect to reduce such food imports as they now have and to increase their agricultural exports. The international trade problem therefore has two aspects, one concerning surpluses of dollar goods and the other, perhaps a little less immediate, concerning general surpluses irrespective of any dollar difficulties.

In terms of calories and protein, the food situation in most countries shows a slight but general improvement. The most significant increase in calorie supply has taken place in Germany (all zones), while Austria, Czechoslovakia, France and Poland have shown smaller increases of from 200 to 300 calories.

United States Visible Trade 1948 and January-June 1949

	Jan-June	48 July-Dec.J	1949 anJune
	(In m	illion U.S.	dolla ra)
Exports (incl. re-exports) General Imports	6,544 3,520	6,092 3,603	6,596 3,388
Balance	3,024	2,489	3,208

From Foreign Commerce Weekly, U.S. Department of Commerce.

The supply of animal protein has increased in such countries as Austria, Czechoslovakia, Finland, France, Netherlands and Poland, while in the United Kingdom and Belgium it has decreased. In the Soviet Zone of Germany and in Greece, Italy, Poland and Portugal the supply of animal protein remains low; probably also in Hungary and Yugoslavia. The improvement in the overall food situation in 1948/ 1949 has been reflected in a general relaxation of rationing. Belgium, Poland and Luxembourg were able to abandon rationing of all foods early in 1949, while increases in the rations occurred in many countries.

In some countries, e.g., the United Kingdom, the diet of certain groups of the population is kept under constant review by means of diet surveys, but in the majority no recent investigations of this nature have been made. However, in France, diet surveys which have been systematically carried out in Paris, Marseilles and small cities indicated that in the last quarter of 1948 there was a considerable increase in the

average daily intake of calories, which in Marseilles increased from 2,200 in 1947 to 2,900 in 1948, with in-

creases in all nutrients.

In Czechoslovakia, preliminary results of diet surveys among school-children and adolescents indicate that the latter group is obtaining sufficient calories but not enough of certain nutrients, especially animal protein. The diet of various groups of the population in Italy in 1948 was found to show little improvement in quality or in quantity over that of 1947.

Certain data relating to vital statistics, which to some degree reflect the state of nutrition, suggest the latter has improved. With the exception of Rumania and most parts of Germany, infant mortality rates are gradually decreasing and in most countries are below those of the pre-Tuberculosis rates, war period. while showing a general decline, often reveal an increase in certain groups such as adolescents and young women. (It must be remembered that nutrition, despite its importance, is only one of several factors affecting tuberculosis.) More specific information on the nutritional condition of adolescents seems urgently needed. One of the most significant undertakings designed to improve the nutrition of children has been a joint UNICEF-FAO milk conservation project.

A survey made in 1948 to determine the needs for technical assistance and dairy requirements in the countries receiving UNICEF assistance, indicated a need for expanding pasteurization plants and establishing milk-drying plants, both of which would serve to increase the

supplies of "safe" milk.

During the current year, UNICEF has provided financial assistance, and FAO technical aid to countries anxious to develop their dairy indus-

try along such lines, with the agreement that the milk will be distributed free of charge to infants and children in accordance with UNICEF feeding policies.

It is anticipated that indigenous supplies of good quality milk will shortly replace the dried milk now being provided by UNICEF. These supplies will enable the child-feeding programmes initiated by UNICEF to be carried on and developed by

the governments concerned.

The school meal scheme in the United Kingdom and the well-known Oslo Breakfast in Norway, continue to benefit a large proportion of the school population. Since a decree of February, 1948, that food should be given to schoolchildren in Denmark free of charge, the number of children participating in a school feeding programme has increased greatly.

In Finland, provision of food for schoolchildren was made obligatory in August, 1948, and during the past school year milk was distributed daily to the children. The school feeding programmes in Greece and Czechoslovakia have been expanded. In Bizone Germany, the child and student feeding programme which covers 4.26 million children was extended on May 1, 1949, to include 555,000 children in the French Zone. In Portugal, "L'œuvre des mères pour l'éducation nationale" is responsible for providing free school meals to some 12,000 needy children in various towns and rural areas.

The child feeding programmes in operation indicate that there is a considerable appreciation of the importance of such feeding in maintaining or improving the nutrition of children. There is, however, a need for further development and in some cases it can take place only with improvement in available food supplies

and feeding facilities.

Fodder Supplies in Europe

DATA on the supply of animal feeding stuffs in Europe have been assembled by F.A.O. for the first time.

Total feed utilization (excluding grazing and green fodder) is shown in the following table:

	Domestic Imported Tota (Million Feed Units)			
Pre-war	100,019 118,871 106,520	6,351	181,274 125,222 115,027	

All feed supplies are expressed in a common denominator, the *feed unit*, which is equivalent to the fodder value of 1 kilogram of barley.

	Imported Feeds as a Per- centage of Total Feeds (excl. Grazing and Green Fodder)				
	Pre-war	1946/47	1947/48		
GrainGrain offals	5.5 2.0	2.0	3.0		
OilcakeOther concentrates	3.8 0.4	1.8	2.4 0.2		
Total	11.7	5.1	7.4		

An overall increase of about 7 per cent. in the European output of home-grown feeds, including grazing, would give a quantity of feeds equal to the total pre-war imports of all types of feeds.

However, it should be stressed that an adequate feed supply is not a question of quantities alone: the quality and composition are as important, and as far as the proteins are concerned, the imports to Europe as a region could not, at the present time, be fully replaced on an economic basis by domestic crops.

A tentative estimate of the situation in 1948/9 is as follows:

		1947/48 on Feed U	
Concentrates Coarse fodder	77,976 93,258		
Milk and whey	10,040	6,218	6,600
Total	181,274	115,027	150,600

The total feed supplies for 1948/49 excluding grazing and green fodder, are thus estimated to have a fodder value of around 31 per cent. more than the supplies available for the season 1947/48. Even so, the supplies did not amount to more than 83 per cent. of the pre-war utilization.

It may be tentatively assumed that supplies of concentrates available for feeding in 1949/50 in Europe as a whole will be around 85 per cent. of pre-war, as compared with around

75 per cent. in 1948/49. The utilization of imported grain for feeding purposes amounted to 3 per cent. of the total feed utilization in pre-war years. This 3 per cent. equals 9,932,000 tons, of which more than one million was supplied by Eastern Europe. One single country, the United Kingdom, increased its feed utilization of homegrown grain by 1,300,000 tons, or 13 per cent. of the total European utilization of imported grain. The United Kingdom did so by ploughing up a part of its permanent grass land. This shows the possibilities for Europe as a whole. The prospects, nevertheless. that are Europe as a whole will have to import grain in order to reach its prewar consumption level of feedstuffs. The possibilities for Europe to become self-supplying with high protein feeds are very small as compared with the possibilities in respect to grain. This is due to the fact that the protein contents of the plants in all Northern regions are low, because of the colder and less sunny climate, and both beets and grain contribute too little protein to give an optimum fodder composition.

As in the case of grain, one of the principal difficulties in procuring oilcake from abroad is that the Western Hemisphere is the main supplying source at the present time.

To sum up: it appears to be possible for Europe as a region in the course of a few years to replace imported feeds by home-grown feeds, except in the case of proteins. It is not a desirable development and offers no advantage for the world as a whole, as the grain and oilseeds should be grown where they can be produced with minimum efforts.

FOOD and AGRICULTURE

Dollar-Saving Plan for Europe

An interim report submitted by the Food and Agriculture Committee of O.E.E.C. foreshadows a progressive intensification of European agricultural production over the next five years. Although the O.E.E.C. countries had already planned a large increase in food production by 1952/53, imports of food and animal feeding stuffs in that year were expected to represent about 40 per cent. of the total imports from the Western Hemisphere.

The committee was instructed to see how far a net reduction of \$1,250 million (at 1948/49 prices) in food imports from the Western Hemisphere in 1952/53 as compared with the present national programmes could be offset through the expansion and adjustment of agricultural production. The target figure of \$1,250 million represents about half the programmed imports from the Western Hemisphere in 1952/53, about 7 per cent. of the present value of food production and about 5 per cent. of the production which it is hoped to achieve by 1952/53, but it represents also as much as a 50 per cent. increase on the increase of some \$2,000 million in agricultural production over the pre-war level already planned for 1952/53.

Such an expansion will not be possible by 1952/53; but provided the necessary resources were made available, an expansion of the order suggested might be accomplished in five

or six years.

The greatest contribution could be made by an increased production of animal feeding stuffs. This would permit not only a reduction in imports of feeding stuffs imported as such, but also in imports of livestock products-and perhaps of bread grains as well, if the larger fodder supplies enabled bread grains now used for livestock feeding to be diverted to human consumption; the maximum saving in programmed imports from the Western Hemisphere under these headings would be of the order of \$700 million. There also appear to be considerable possibilities for increased production of fats, sugar and other foods of a

maximum of about \$400 million. Further economies could be made only on the basis of a direct increase in the production of wheat; however, "the normal operation of the Wheat Agreement would tend to put a ceiling on savings arising from increased European production during the

coming four years."

If countries are prepared to embark on the necessary capital investment, much suitable land might be found for reclamation. Even within the present cultivated land the crop area could be increased by reducing unnecessary fallows. The main contribution, however, is likely to come from an increase in the yield per hectare of the land already cultivated. The largest scope for improvement appears to lie in the grassland of North-Western and Central Europe. Where soil and climate are suitable, an increase in the yield per hectare of 40 per cent. seems possible. One of the main limiting factors is the supply of fertilizers. Other methods to raise the vield now being examined include the cultivation of hybrid maize mainly in Southern Europe. Improved feeding practices, improvement of livestock breeds and control of animal diseases will also play an important part in agricultural ex-

pansion.

Agricultural advisorv services should be strengthened to provide technical information for the farmers. These must also be able to obtain the necessary financial assistance. Adequate supplies of agricultural requisites should be made available at prices which ensure their use on a sufficient scale. Lastly, farmers must be reasonably sure of a continuing return from any expansion schemes. This implies a further development of European operation in the form of long term agreements between exporting and importing countries.

The report emphasizes that "in planning expansion, regard must be paid to the most economic utilization of each country's agricultural resources and to the importance of securing expansion by reducing costs through increasing yields efficiency rather than by policies leading to higher costs and the necessity for protective measures which would increase the difficulties of in-

ternational trade."

FOOD CONSUMPTION LEVELS IN BRITAIN

intake	tage of derive groups	d fron	n cert		
	Pre- War	1946	1947	1948	1948/49
Dairy products (excl. butter) Meat (incl. can-	9	11	11	11	11
ned meat and bacon) Oils and fats	17	13	12	11	10
(incl. butter)	17	14	13	15	15
Sugar & Syrups	15	12	13	13	14
Potatoes	4	7	7	6	6
Grain products	30	35	36	37	36
Other foods	8	8	8	7	8
7	100	100	100	100	100

Civilian II Pre-war				,
	1946	1947	1948	1948/49
Calories	96	96	96	99
Animal	104	101	96	95
Vegetable	124	128	125	128
Total	113	114	109	110
sources	86	81	83	84
Carbohydrates	100	104	105	108

From Food Consumption Levels in United Kingdom, C.M.D 7842 H.M. Stationery Office

Investment in Underdeveloped Countries

THE relatively small proportion of foreign direct investments attracted by manufacturing for the domestic market in under-developed countries (during the 1920's) can be explained in part by the manner in which the trade of these countries

has developed.

Before they began to attract toreign capital, both their imports and exports were very limited. The transfer of dividends and profits earned by equity investments (which, on the whole, correspond to direct investments), as well as of interest and amortization payments for the service of foreign loans, could take place chiefly in two ways—either by an increase in exports or by a reduction of imports.

Since imports were already low, the latter course was not readily open to the financing of large transfers of capital yields, and the new investments had to be used for purposes which ultimately tended to raise exports. There was not much room for investment in manufacturing to supply the domestic market in the countries concerned with products

previously imported.

Since foreign trade tends to vary

on the whole with the degree of economic development, investments in manufacturing have a tendency to shun under-developed countries. The difficulties of "absentee ownership" are probably also greater in manufacturing industries, which must adapt themselves to a constantly shifting demand, than in extractive industries, railways or similar activities.

These facts do not detract from the role of foreign capital in economic development. Clearly, such capital employed for the creation of transport facilities, public utilities and the production or the simple processing of primary products for export prepares the way for industrialization in the form of manufacturing, which provides the home market with a richer supply of manufactured products.

But the evidence suggests that foreign capital is in the main confined to preparing for such industrialization, and that, when it has done so, the growth of manufacturing for the domestic market will in the main have to rely on domestic

capital formation.

From International Capital Movements during the Inter-War Period, United Nations, Lake Success, Oct., 1949.

BRITAIN'S BACKYARD FARMERS

Over 289,000 members of pig clubs care for nearly a quarter of a million pigs, and more than 100,000 pigs are kept by individuals, so that there are now about 400,000 domestic pigkeepers. About 1,500,000 people keep domestic poultry, while the membership of rabbit clubs now totals over 53,000. Rationed feeding-stuffs are issued for 184,000 does, and it is almost impossible to arrive at an estimate of the total number of rabbit keepers who are not members of a club. Goats increase in popularity, and the British Goat Society has over 4,000 members, while it is conservatively estimated that there are over 100,000 beekeepers keeping over 600,000 stocks, the annual value of which in pollination and production of honey is placed at over £7 million. Over 10,000 tons of honey are gathered each year.

Should Spain Get Marshall Aid?

Here is an opinion holding that it would increase her economic dependence on the U.S.A., and make her economy more vulnerable. "For weak economies, collaboration means subordination."

THE Editor of De Economica, Carlos Munoz Linares, invites his readers to submit their views on the advantages and disadvantages of Spain's inclusion in the Marshall plan. To facilitate discussion, Señor Carlos Munoz Linares advances the following considerations:

r. American statesmen and publicists have recognised that economic trends capable of precipitating a third World War have long been in

evidence.

(a) It was for this reason that, despite considerable political opposition, the Marshall plan came into

being.

(b) The ultimate objective of the Marshall plan—i.e., the building of a strong economic front against the world-political aims of the U.S.S.R.—might be incompatible with the economic advantages which everyone hopes would result from Spain's inclusion in the plan.

2. The internal economic effects of Spain's inclusion would be of the

greatest importance.

(a) Impact on the structure and cost of production: Would the introduction of a multilateral system of payments provoke a revolution in the structure of production costs? If so, would we be forced to re-adjust our economic system?

(b) Changes in capital consumption: Would the presence of abundant means of international payment provoke profound changes in Spain's current capital consumption? The principle of acceleration of secondary and derived demand, together with new investment demand could provoke a series of "investment cycles" of unpredictable magnitude.

(c) Increase in means of payment might lead to inflation unless counter-measures were adopted, such as an adjustment in wage levels and rigid credit control, etc. How could

this difficulty be met?

(d) The needs of the Spanish economy are sufficiently well known to make it clear that a large part of the funds stemming from the plan would be devoted to further industrialisation. What would be the economic effects of industrial reconstruction?

(e) Would the economic repercussions of the plan necessarily lead to an increase of State intervention?

3. Economic effects of an international character deriving from Spain's inclusion in the Marshall

plan.

(a) In 1(b) we saw that the Marshall plan pursues clearly-defined objectives; recent commercial policy would appear to point to a free-trade trend imposed on countries enjoying the benefits of the plan. Would this trend be in opposition to national economic policy?

(b) Is it possible that national monetary policy would be in conflict with the international monetary

policy required by the plan?

(c) International capital movements provoke successive difficulties in the pursuit of multilateral trade. Would our external trade be forced on to a bilateral basis, thus accentuating the gravity of the position mentioned in section 3(f)?

(d) If Spain had to face the payment of her external debts via an increase in exports, might not this mean a severe fall in her export prices? How could this difficulty be

resolved?

(e) Changes in international in-

vestment trends would necessarily result in changes in the international structure of production, and there is nothing to suggest that such changes would be to Spain's advantage.

(f) It cannot be doubted that Spain's inclusion in the Marshall plan would increase her economic dependence on the U.S.A., thus making Spain's economy more vulnerable. One cannot overlook the modicum of truth contained in the phrase, "For weak economies, collaboration means subordination."

Target for British Railways

By Professor GILBERT WALKER

By employing better methods, Mr. Barnes could release 65,000 men and save £20 million

BRITISH Transport opens the third year of nationalization under a cloud. Traffic has been falling steadily and a big loss is expected, forecast by some at £20 million.

The largest single contributors to railway costs are wages and salaries. These, in total, amount to two-thirds of the whole railway expenditure. If we are looking for worthwhile savings, here is the place. We must somehow reduce the total amount paid in wages and salaries.

But we do not want to reduce in any way the amount earned by each man. The railway worker is indeed entitled to earn more as his output

rises.

The passenger and trader are equally entitled, however, to services better and cheaper in relation to the prices of other things.

The two claims can be reconciled by setting machines to do the work of men. Machinery eases the burden of toil, raises output and so earnings, increases efficiency and lowers costs.

Fewer men need be employed, of course, but that is as it should be. Labour in these days of full employment is the scarcest of all resources and should be the most strictly economized.

A laymen need not risk more than one or two suggestions for this saving of labour—the mechanical handling of goods for example in freight yards and on sorting banks with fork-lift trucks and the new materials handling gear; and the shutting of uneconomic branch lines and stations.

Other and better ideas will occur to any practical transport man who reads this.

Times like these, I can hear myself being told, are no occasion to be talking about long term schemes of improvement. Rates are going up now; we've got to think of something right away.

We British must take particular

care that high transport costs are not riveted on us under cover of urgency. Our mixed economy is already too well insulated against the impact of competition by nationalization and other devices for us to add that risk.

With no rival carriers in the field, we must be especially vigilant. Whatever we do, we must not accept, even by default, the obnoxious principle that rising costs can always be covered by higher charges. That is the straight road to inflation.

There is one thing we could do and do immediately. British Railways are an immense concern, employing 650,000 men and women. Most big organizations can get on just as well and often better with fewer people on the books.

The Minister of Transport is the guardian of the public interest. Let

him invite the Commission to accept, as their man-power target for 1950 or 1951, a reduction of 10 per cent. in the numbers they employ.

The Railway Executive ought to be able to release this margin without any sort of prejudice to the economy and efficiency of their services. It would, in any case, be a useful exercise for them to try!

A 10 per cent. cut in the wage and salary bill would save over £20 million, more, that is, than the loss expected in 1949.

The need for increased freight rates could be avoided. In addition, 65,000 people would be released for employment elsewhere.

With so many industries undermanned, we cannot afford to keep on the railways one man or woman more than we absolutely need.

How about it. Mr. Barnes?

David Owen



United Nations David Owen is Secretary General Economic Affairs. Born in Pontypool 46 years ago, he graduated with honours from the University of Leeds and later taught and engaged in extensive research work in the field of economics. He performed special duties at the Foreign Office relating to the League of Nations and the International Labour Office, and served as a member of the British delegation to the San Francisco conference. He was Executive Assistant to the Secretary General until his appointment as Assistant Secretary General for Economic Affairs.

Picture by courtesy of United Nations.

WESTMINSTER BANK LIMITED

ANNUAL GENERAL MEETING TO BE HELD ON 15th FEBRUARY, 1950

The following is a summary of the Statement by the Chairman, the Hon. Rupert E. Beckett which was circulated with the Report and Accounts.

Our Current, Deposit, and Other Accounts show a decrease, as compared with 1948, of £30 million, arising in the main from the withdrawal, as expected, of a few lodgments which had been built up for special use in 1949. Naturally we have had to face a severe fall in the prices of Gilt-edged Securities. I am pleased to be able to assure you that our internal funds have been adequate to meet the current depreciation of our Gilt-edged investments. Obviously these funds are not inexhaustible, and it is our wish to do all we can to rebuild them after the heavy charge which the year 1949 has inflicted upon them. It seems to me that the political accusation that the City deliberately "talks down" British credit is absolutely fatuous, considering the adverse effects that such fall in credit has on the investment position of the

The year's working has resulted in a profit of £1,460,557, which is an increase on last year of some £29,000, and will be disposed of as set out in the Directors' Report. We have thought it wise to enlarge our inner funds by a transfer of £600,000 as an additional appropriation to Reserves for Contingencies.

Our affiliated institution in Ireland, the Ulster Bank, continues to make consistent progress. The Profits show an increase on the previous year. Our Continental aubsidiary, Westminster Foreign Bank, had on the whole a satisfactory year.

The severe setbacks the country

experienced in 1949 in the economic field were the more disappointing because of the moderate optimism that seemed to be justified at the beginning of the year. At the turn of the year the gold and dollar deficit had been brought within the amount of American aid currently received; and this was encouraging as appearing to ensure that at least we should not have to draw further on our reserves.

It was not until the second quarter of the year that there were unmistakable signs of impending difficulties. At the end of June the dollar reserve was found to have fallen sharply. In the second quarter United Kingdom exports had fallen and imports had risen, particularly in trade with the Western Hemisphere. No less important for the state of the reserve, the same deterioration had occurred in the Sterling Area generally. By September, when the loss of reserves became intolerable, it was too late for remedial action, and devaluation of the pound became inevitable as the only means of safeguarding what reserves remained.

Devaluation was a leap in the dark which the circumstances we had allowed to develop forced us to take. It raises the cost of living by increasing the prices of many essential imports. At the same time it permits reductions in the selling prices of our exports in terms of dollars; but we cannot say yet whether total dollar receipts will be greater than before.

The troubles which could be

cured by our own policies, and which must receive urgent attention if we are to avoid further calamities, can be reduced ultimately to two; inflation and unrequited exports.

For my present purpose, it is sufficient to use the term "inflation" as meaning the overstraining of resources by the release of too much purchasing power. It is clear that the only practicable means of currailing purchasing power is a cut in Government expenditure. The measures adopted by the Government may be expected to go some way towards checking inflation, but unless home demand is reduced by means of much larger economies the inducement to divert goods to hard-currency markets will be inadequate.

To meet the need for more dollar exports by diverting goods from other markets may be the only possible course for the present, but the problem can be permanently solved only by an increase in production. The increases which have already occurred, encouraging though they are, are still not enough to meet the needs of the situation.

The high level of demand for British goods in the Sterling Area is bound up with the problem of unrequited exports. Substantial quantities of our exports are bringing in no imports in return but constitute exports of new capital and the repayment of past indebtedness. The debts we are repaying are the sterling balances accumulated by other countries during the war.

The state of the gold and dollar reserve at the end of 1949 was more satisfactory than had been expected, even after allowing for temporary influences. A good deal of the increase in reserves was fairly attributable to a permanent reduction in our trading deficit with the dollar area.

The question arises whether the internal organization of our economy is likely to prove equal to the demands now being made upon it. In some ways it is developing in a manner that threatens to render it singularly ill-fitted for the task. Never has the desire for leisure been stronger than to-day, when the

circumstances clearly call for harder work by all.

Of recent years we have witnessed a change from the conception of the State as an impartial umpire in economic affairs to that of the State as the guarantor of a certain standard of material welfare. Much of the progress that has accompanied this change of ideas has been entirely desirable in itself. But the Welfare State has so far remained an organization for distribution; its productive function has not yet received much consideration.

What does 1950 hold in store? The overriding influence which for too long has kept our economic affairs in a state of suspense has been uncertainty in the political sphere. But the date of the General Election has now been announced. When the election is over it may be hoped that the period of temporary expedients will be at an end, and that a determined attack on our economic problems will at last be made. There is no more reason to-day than there has been at any time in the past to doubt the ability and willingness of the British people to do all that is required of them provided they have the measure of the task and are given a strong lead.

I end on a personal note. It has been my honour and privilege to address Westminster Bank Shareholders either by word of mouth or by the written word for the past twenty years. The time has now come when it is advisable that younger heads should take control of our great institution.

I am deeply sensible of the kindness and courtesy with which Shareholders have always received the annual account of my stewardship. Now on this last occasion I testify with a full heart to the unswerving help and support I have always received from my fellow Directors, Officers, and Staff of all ranks who work for our Bank, without which support my labours would indeed have been in vain. "Farewell goes out sighing," but thanks be to all in that it has left happy memories.

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Principles of Economic Planning

By Professor W. ARTHUR LEWIS

Our Digest Review consists of Professor Lewis's own summaries of his conclusions in a series of studies for the Fabian Society. In addition he has a chapter on How to Plan, and two searching appendices on Economic Union and Planning in Backward Countries

I. WHY PLAN

(1) The issue between planning and *laisser-faire* is whether we can use the visible controls of state action to improve on the invisible social controls exercised by the market.

(2) This is an issue that must be argued; there is no *a priori* case for using the state in place of other social institutions that serve the same purpose.

(3) The argument produces a formidable list of defects in the market, which state action is required to eliminate.

(4) The state can use different forms of planning to achieve the same purposes; planning by direction is much inferior to planning by inducement.

(5) In planning by inducement the state manipulates the market to secure its objectives.

(6) Manipulating demand is not enough because resources move too slowly in response to inducements. Other controls are also needed temporarily.

(7) Price control and rationing are frequently necessary in the interest of equity, but they do not solve the fundamental problem, which is to get productive resources correctly allocated.

(8) The principal objective of planning by direction should be to overcome immobilities, and the speed with which this is achieved is the true measure of the quality of planning.

(9) The main instrument of planning is the budget, but this may need to be supplemented by planning by direction wherever there is marked disequilibrium between demand and supply.

II. FAIR SHARES FOR ALL

(1) The case for the provision of free or cheap services by the state rests not on income distribution but on the superior insight of the government, and is limited to those services whose extended use it is particularly desired to encourage.

(2) General wage control is an ineffective means of redistribution of income unless it is accompanied by general price control, and this has undesirable effects; but the enforcement of minimum wages in particular industries is necessary for the

protection of depressed groups.

(3) General rationing is difficult to administer and a cumbersome

way of achieving equality.

- (4) The best way to redistribute income is to impose low taxes on the poor and high taxes on the rich. Reform of the income tax system is necessary in order to pursue this policy more effectively, but in any case it has already been used so fully in the U.K. that greater emphasis must in future rest on altering the distribution of income before taxation.
- (5) Inequality of income before taxation is partly due to inequality of opportunity in education and employment, which the state can help to reduce.
- (6) It is also due to the unequal distribution of property which can be changed by death duties and capital levies.

III. MONEY

(1) The aim of monetary policy should be to have the right quantity of money in circulation, not too much and not too little. Less than full employment is an unnecessary evil; and so is inflation, whether open or suppressed by price controls.

(2) The best technique is to offset tendencies to fluctuation by adjusting the level of taxation; this may also be supplemented by timing some public works appropriately.

(3) Estimates of profits, records of bankruptcies and the unemployment percentage are the thermo-

meters of monetary policy.

(4) The wage level should be kept relatively stable; and the structure of trade union bargaining should be adapted to this purpose.

IV. INVESTMENT

(1) The state is justified in stimulating investment if investment would otherwise be too low; but the

problem of contemporary Britain is rather to check investment.

(2) There must be a budget surplus equal to the difference between voluntary savings and investment, or there will be either inflation or an adverse balance of payments.

(3) There must be adequate pro-

vision for stocks.

(4) The sum of investment projects must not exceed the physical resources available in the capital goods industries, after allowing for exports.

(5) The licensing of investment is an inefficient way of keeping this sum within the necessary limits.

(6) The best way to achieve this purpose is a combination of a high rate of interest and a tax on some of the materials used for investment.

V. FOREIGN TRADE

(1) Some types of foreign transaction need regulation, without prejudice to the general issue; examples are controls in the interest of defence or of infant industries, and restrictions on refugee capital.

(2) General control of trade is unnecessary if imports and exports can be kept equal without it, and without grave inconvenience; but this is sel-

dom the case.

(3) An absolutely free rate of exchange is a nuisance; and an absolutely fixed rate of exchange is incompatible with domestic stability in countries where costs are inflexible.

(4) State planning of foreign trade would be ineffective and chaotic in the absence of international agreements prescribing the rules that planning must follow.

(5) In the long run imports and exports can be equilibrated by fixing an appropriate rate of exchange, subject to alteration as conditions change; but in the short run further controls are required, if the mobility

of resources is low.

(6) Special measures to stimulate production in and trade between countries other than the U.S.A. are desirable so long as the U.S.A. has an export surplus (not covered by loans) and so long as the U.S.A. does not plan for stable employment and trade.

(7) While trade cycles last we must either let the domestic price level fluctuate with foreign prices, or let the foreign exchange rate fluctuate. We must not stabilize both domestic and external rates unless we adopt both import subsidies and export taxes.

VI. MOBILITY OF RESOURCES

(t) The smoothness with which the market economy functions depends on the extent to which resources are mobile; it is immobility that necessitates planning by direction.

(2) Laisser-faire leads to incorrect location; location must be planned in the social interest, and, in particular, in such a way as to facilitate easy mobility between trades.

(3) The acquisition of new skills must be made as easy as is possible.

(4) The wage structure needs to be planned in order that essential trades in which there is a shortage of labour should be made more attractive than other trades.

(5) Monetary equilibrium is also essential to mobility, so that the supply of labour may be responsive to marginal changes in the demands of different industries and places. The distribution of resources is governed principally by the distribution of the flow of money, which is disturbed equally by inflation and by deflation.

(6) The achievement of a high level of mobility is a long job; meanwhile our immediate problems must be solved by selective immigration.

VII. SOCIAL CONTROL OF BUSINESS

(1) Efficiency demands research, advisory services, and some measure of standardization. In Britain the best way to work for each of these is through Development Councils.

(2) Efficiency depends on enlisting the pride and co-operation of all the workers in a business unit. Government can give a lead by experimenting in nationalized concerns with worker participation in management and with new forms of wage contract.

(3) Ruinous competition should be prevented where resources are very immobile, and deliberate dispersal should be pursued.

(4) Monopolistic practices that prevent the free flow of resources should be outlawed.

(5) Monopolies based on the economies of large scale production, or temporary monopolies granted for special reasons, should be controlled as to price, profits and conditions of sale.

VIII. NATIONALISATION

(1) Nationalization is a form of monopoly. Partial nationalization of industries is useful both as a check on private enterprise and as an outlet for experiment, and may be used widely, but complete nationalization should be applied only where it is desirable to have a monopoly.

(2) A monopoly should be created wherever efficiency would be increased by bringing an industry under unitary control.

(3) Important m o n o p o l i e s, whether state-created or not, should be nationalized.

(4) The public sector of an industry should be decentralized as much as possible; several public corporations are better than one, except where there are special advantages in unitary control.

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(5) In some cases government monopolization of wholesale trade facilitates desirable economic planning.

(6) Nationalized monopolies should be controlled as closely as any others. Ministers and Parliament cannot achieve much. There should be a price and services tribunal, with a price policy laid down by law, a consumers' council, with access to costs accounts, and the usual machinery for labour arbitration.



DAS FREIHEITSGESETZ ALS MITTEL GEGEN KRIEG UND ARMUT (The Law of Freedom as Remedy for War and Poverty)

Emil Korner (Europa Verlag, Zurich, 1950).

This work intends to restate in three volumes, two of which have already appeared, the doctrine of laissez-faire. True loissez-faire has never been given a chance and in the modern State based on power, cannot be. It is only within a "World State" that Liberalism, i.e. freedom within the limits of the law of

freedom and, as a consequence, the abolition of war and the creation of prosperity for all, can become realities. Readers will find much to contradict in Korner's exposition of economic theory, but it cannot but stimulate thought on the fundamental political and economic problems of our time.

MISSION TO HAITI

(United Nations, Lake Success, July, 1949).

This report deserves particular attention since it deals with the first Mission undertaken by the United Nations for technical assistance, and the work of this Mission has led to the present programme for technical assistance to undeveloped coun-

tries. The report deals in detail with Haiti's problems (demography, education, public health, economy and finance) and its study is to be recommended to all who want to know the implication of President Truman's Point IV.

RECENT DEVELOPMENTS IN THE WORLD ECONOMIC SITUATION

(United Nations, Lake Success, Oct., 1949).

This brief Report brings up to date the World Economic Report, 1948: it contains data on major economic developments during the first half of 1949, and so far

as possible, also the third quarter of 1949. It is a valuable survey of economic world conditions at the time of devaluation.

METHODS OF FINANCING ECONOMIC DEVELOPMENT IN UNDER-DEVELOPED COUNTRIES

(United Nations, Lake Success, 1949).

This volume contains in print a study submitted to the Council of the United Nations in July, 1949, and widely reported at the time. The statements by various international agencies (including F.A.O.,

the International Bank, the International Monetary Fund, and the International Labour Organization) are summarized and commented upon by the U.N. Secretariat.

HOUSING ANNUAL, 1949

(H.M. Stationery Office, London, 3/6)

This manual differs from its predecessors in that they were concerned with the immediate post-war problem of providing two and three-bedroom houses, whereas

the present manual turns to the longerterm problem of providing a much wider variety. The designs and illustrations therefore cover houses for small and large families, single persons and aged persons in a variety of plan arrangements.

NEWSPAPER CARRIAGE AND PARCELS TRAFFIC ON BRITISH RAILWAYS by Reginald Bezzant (Wm. Dawson & Sons Ltd., London)

This is a specialist book, addressed primarily to the specialist public indicated by the title. Others may well be interested in the construction of the various rates of

parcels and goods, and in the useful population statistics in the ten railway zones which are the basis of the parcels distribution system and conveyance rates.

PLANNING FOR INDUSTRIAL CATERING

The Gas Council, London

Although mainly for the information and guidance of architects, equipment specialists and caterers, this practical volume reflects the social changes intro-

duced through the rapid growth of the habit of feeding away from home—in schools, canteens and institutions.

Worth Reading _

- A Factor Affecting Productivity. K. S. Lomax, District Bank Review, Dec., 1949. (Point: Post-war increase in ratio of supervisory staff to operatives).
- Devaluation and World Trade. J. R. HICKS, Three Banks Review, London, Dec., 1949. (Point: U.K. should not seek to solve the dollar-shortage problem by trying to sell in the United States. "American demand for British goods has a falling tendency about it.")
- Integration, Right Roads and Wrong. The Statist, London, Dec. 24, 1949. (Point: The road to economic wholeness is not by way of minor groupings).
- Wages After Devaluation. Socialist Commentary, London, Jan., 1950. (Point: Severe criticism from the Left. "The approach of the Labour Government and the T.U.C. to wages policy has been timid and inadequate.")
- Taxes, Savings and Inflation. James Tobin, American Economic Review, Evanston, Dec., 1949. (Point: Discussion of proposal to reduce personal income tax on portion of income saved, as anti-inflation device.)
- The Havana Charter. P. T. ELLSWORTH, American Economic Review, Dec., 1950. (Point: Sir Hubert Henderson's argument—see The Economic Digest, Sept., 1949—disputed.)
- Shipbuilding Problems. Labour Research, London, Jan., 1950. (Point: Growing competition from America, Germany and Japan, and growing unemployment in British ship-repairing yards).
- The Effects of An Overseas Slump on British Economy. F. V. MEYER and W. ARTHUR LEWIS, Manchester School, Manchester, Sept., 1949. (Point: "We cannot control slumps that are generated in the United States. The United States has taken the initiative, in recent years, in fixing the agenda of international economic discussions. She has said very little about the vice of exporting slumps." This is a full-scale authoritative study.)
- The Theory of Profit. PAUL STREETEN, Manchester School, Sept., 1949. (Point: Full and careful examination of the various definitions of Profit.)
- Forest Products. Monthly Commercial Letter of Canadian Bank of Commerce, Toronto, Nov., 1949. (Point: Increasing competition calls for most economical and scientific exploitation of forests.)

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